

4/12/78 [1]

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FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
Appendix to Policy Rpt.	Names of Agents, 2 pp., attached to "Memos not Submitted	3/78	C
Memo	H. Jordan to Pres. Carter, 4 pp., re: Inflation Speech, attached to w.B. Cutler to Pres. Carter	4/12/78	C
Memo	Rick Hutcheson to Zbigniew Brzezinski/Stuart Eizenstatt, w/attachments, 111pp. RE: Peter Bourne Report re International Narcotics Control Policy	3/31/78	B

FILE LOCATION

Carter Presidential Papers-Staff Offices, Office of Staff Sec.-Presidential Handwriting File 4/12/78 [1] Box 80

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THE PRESIDENT'S SCHEDULE

Wednesday - April 12, 1978

8:00 Dr. Zbigniew Brzezinski - The Oval Office.

8:30 Meeting with the Republican Members of the Energy
(20 min.) Conference. (Mr. Frank Moore) - The Cabinet Room.

9:00 Meeting with Democratic Members of the House
(30 min.) Ways and Means Committee. (Mr. Frank Moore).
The Cabinet Room.

10:00 Mr. Jody Powell - The Oval Office.

10:30 Arrival Ceremony for His Excellency Nicolae
Ceaurescu, The President of the Socialist
Republic of Romania, and Mrs. Ceaurescu.
The South Grounds.

11:00 Meeting with President Nicolae Ceaurescu.
(90 min.) (Dr. Zbigniew Brzezinski) - The Oval Office
and the Cabinet Room.

1:30 Meeting with Senator Dennis DeConcini.
(15 min.) (Mr. Frank Moore) - The Oval Office.

7:30 Dinner (Business Suit) Honoring The President
of the Socialist Republic of Romania, and
Mrs. Ceaurescu - The State Floor.

THE WHITE HOUSE
WASHINGTON
April 12, 1978

Jim Gammill

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

RE: ELIZABETH PETRIE

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
		MONDALE
		COSTANZA
		EIZENSTAT
		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
		McINTYRE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
/	GAMMILL

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE WHITE HOUSE
WASHINGTON
April 12, 1978

oh - do
So - let
Joe Clark
know
J

MEMORANDUM FOR THE PRESIDENT

FROM: JAMES F. GAMMILL, JR. *JFG*

SUBJECT: Elizabeth Petrie

In response to a letter from Senator Joe Clark, you asked me what Elizabeth Petrie can serve on.

Within a month, you will receive legislation mandating a White House Conference on the Arts, to be held in late 1979, and calling for the immediate appointment of a 15-member Planning Council for the White House Conference. An active Planning Council Member will be expected to devote about forty days over the next eighteen months.

Your arts advisors would like very much to have Mrs. Petrie serve as a Member of the Planning Council for the White House Conference on the Arts.

THE WHITE HOUSE
WASHINGTON

April 12, 1978

Chairman Campbell

The attached was returned in
the President's outbox. It is
forwarded to you for your
information.

Rick Hutcheson

EMPLOYMENT OF WOMEN AND
MINORITIES IN FEDERAL SERVICE -
A SPECIAL REPORT

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
	FROM PRESIDENT'S OUTBOX
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cc *Scot Campbell 07 May page 1*

ACTION	FYI	
		MONDALE
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		EIZENSTAT
		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
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	HARDEN
	HUTCHESON
	JAGODA
/	GAMMILL

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE WHITE HOUSE
WASHINGTON

4/12/78

Mr. President:

No comment from Jim Gammill.

Rick



CHAIRMAN

UNITED STATES CIVIL SERVICE COMMISSION
WASHINGTON, D. C. 20415

April 7, 1978

Good report
J

RL

MEMORANDUM FOR THE PRESIDENT

FROM: Alan K. Campbell

Handwritten signature of Alan K. Campbell

SUBJECT: Employment of Women and Minorities in the Federal
Service -- A Special Report

In my February 24, 1978 memo to you, I promised to report regularly on the progress being made in employing women and minorities in the Federal Service. This is the first such report.

In examining the status and progress of women and minorities in Federal civilian employment, we limited our analysis to the 1.8 million full-time, permanent non-postal employees in the Federal government. It is the distribution of these jobs that best indicates the lasting gains by women and minorities. We have used November 30, 1976, as the baseline for this analysis since it coincides with the major semi-annual EEO report produced by the Commission for use by Executive agencies and the Congress.

TOTAL REPRESENTATION

Women and minorities are a large proportion of Federal employment. This total representation level has changed very little in recent years. Women were 32% of the Federal work force in 1973, 35% in 1977; minorities were 20% of the work force in 1973, 21% in 1977. The table below compares the approximate distribution of women and minorities in the Federal Service with their distribution in the national labor force.

DISTRIBUTION OF WOMEN AND MINORITIES

FEDERAL FULL-TIME
PERMANENT EMPLOYMENTNATIONAL NON-FARM
LABOR FORCE EMPLOYMENTNovember 30, 19771977 Annual Average

WOMEN	35%	41% (36% of full-time employment)
BLACK	15%	9%
HISPANIC	4%	4%
NATIVE AMERICAN, ORIENTAL & ALL OTHER	2%	2%

REPRESENTATION BY GRADE LEVEL

Total representation is one index of the advances of groups which have historically suffered discrimination in employment markets. A more important measure is the level of jobs held by them. In the Federal Service, as in the private sector, women and minorities tend to hold lower paying, less responsible jobs. These disparities are most obvious at the upper and lower ranges of the General Schedule and equivalent jobs:

	GS 1-8 (\$6,219-\$17,757)	GS 9-12 (\$15,090-\$28,444)	GS 13-15 (\$26,022-\$47,025)	GS 16-18 (\$42,423-\$47,500)
% Women	68.2	22.5	5.9	3.2
% Minority	25.8	12.2	6.7	4.9

As with total representation, there has been little improvement in the representation of women and minorities within higher General Schedule grades over the past year.

	GS 13-15		GS 16-18	
	<u>November 1976</u>	<u>November 1977</u>	<u>November 1976</u>	<u>November 1977</u>
% Women	5.5	5.9	2.8	3.2
% Minority	6.4	6.7	4.7	4.9

These seemingly infinitesimal changes understate the efforts to hire women and minorities. In FY 77, for instance, minorities were about 12% of those hired from outside government at the GS-16 level and about 8% of those promoted to GS-16 jobs from within their own agencies. Both of these rates are greater than the 6% minority representation at GS-15. Nevertheless, minority representation at GS-16 only increased from 5.0% to 5.2%. Somewhat lesser hiring and promotion rates for women resulted in changing their representation at GS-16 from 3.0% to 3.3%. This was because fewer than 450 individuals entered GS-16 level jobs. (The number of GS-16's actually decreased from 4,500 to 4,400 between November 1976 and November 1977.)

The career nature of the Civil Service inhibits dramatic change in the representation of women and minorities at higher grade levels. Most higher level Civil Service jobs are filled through promotion. Eleven times as many employees were promoted to the GS-13 level in FY 77 as entered this level from outside government. At the GS-14 level, this ratio was thirteen to one. These are the grade levels from which career Federal executives will be drawn in future years. Intra-agency promotion is the dominant career path from GS-5 up. Thus, the race/sex mix of any GS grade will not substantially exceed that of the grade below it.

Finally, the size of the Federal work force has remained very stable. From 1973-76, average growth of the work force was only about 1% per year; 1976-77 growth was negligible. In this static environment, affirmative action goals must be met through turnover and replacement. Thus, there are few opportunities for dramatic hiring initiatives where major gains can be made.

NON-CAREER EXECUTIVE APPOINTMENTS

This limitation does not impose similar restraints on non-career hiring since the majority of the occupants of these positions turn over with a new administration. These non-career positions are in the top GS 16-18 ranks of the Civil Service and do not include Cabinet officers or assistant secretary jobs. The Administration has moved quickly to fill its non-career positions. As of December 30, 1977, only 31.5% of the non-career executives were holdovers from the Ford Administration; the Nixon Administration had 53.5% holdovers at a similar time.

Since the Administration took office, 16% of the non-career executive appointments have been women. The table below indicates that the percentage of women in non-career supergrade jobs has doubled over the past year (a 6.7% increase). This compares with only a two percent increase during the previous year. Minority data of this detail is not yet available.

	<u>12/30/75</u>	<u>12/30/76</u>	<u>12/30/77</u>
Total	472	438	497
Women	21	29	66
% Women	4.4%	6.6%	13.3%

CONCLUSION

Although the overall gains for women and minorities have been very small over the past year, they have been consistent with those of recent years. Given the static size and the career nature of the service, even exceptional hiring efforts will not dramatically change either the overall representation of women and minorities or their representation by grade level. In total numbers, the Federal Service already has a reasonably representative work force. While great improvement at the higher grade levels cannot reasonably be expected, it can, with extraordinary effort, be better than the very small gains of the past few years.

As I pointed out in my February memorandum to you, steps have already been taken to further this effort. Candidates have been selected, for example, for the first round of internships under the Presidential Management Intern Program which you established last August in Executive Order 12008. Cooperative education programs have been expanded to include community college and graduate students as well as baccalaureate candidates. These initiatives, along with expanded recruitment efforts to fill higher level jobs from outside Government and strengthened upward mobility programs for employees already on the rolls, should have a positive impact in both short-range and long-range terms. We expect additional momentum with the implementation of other special emphasis program activities now in the final stages of development.

I am providing to each of the major agencies a report of its performance in equal employment opportunity vis-a-vis the total Federal government. These reports plus this memorandum to you will be sent to all Cabinet level Department Heads and to the Administrators of the Veterans Administration, General Services Administration, and National Aeronautics and Space Administration, and copies will be provided to your domestic policy staff. We will provide you with semi-annual updates of this report.

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

April 12, 1978

C

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE
JIM FREE *J. F.*
SUBJECT: Clinch River Breeder Reactor Vote

Today we lost the vote in the Science and Technology Committee on the Flowers compromise which would end the Clinch River Breeder Reactor project by one vote.

The important vote was lost 20-19, with both Chairmen Teague and Flowers and all of the liberals with whom you met on Monday supporting us. Reps. Watkins (D-Okla.), Bob Young (D-Mo.), and Jerry Ambro (D-N.Y.), who had been counted as voting with us, changed their votes and went against us. Rep. Thornton (D-Ark.), who the day before voted with us, took a walk and was not present.

We must now let there be no doubt that you will veto any ERDA authorization bill that contains funding for the Clinch River project.

8:30 AM

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

April 11, 1978

MEETING WITH THE HOUSE REPUBLICAN MEMBERS
OF THE ENERGY CONFERENCE COMMITTEE

Wednesday, April 12, 1978

8:30 a.m. (20 minutes)

Cabinet Room

From: Frank Moore

FM/8.7.

I. PURPOSE

To discuss the status of the natural gas energy conference.

II. BACKGROUND, PARTICIPANTS, AND PRESS PLAN

- A. Background: The Republican conferees (House) have a long-standing complex about being left out of the deliberations on the energy act. Their current interest results from a combination of seeing an opportunity to participate and really not wanting the natural gas bill to collapse. They have been lobbied heavily by their local distribution and pipeline companies in support of the Senate proposal.

They would also like to exact a price for their participation. They have circulated a piece of paper calling for concessions in the direction of deregulation on every point in the Senate proposal. That is simply unacceptable, for the Senate coalition could not take any such further changes.

We understand that they really want two things:

1. Decontrol of all intrastate rollover contracts (not just those above \$1.00).
2. A simplification and broadening of the new gas definition.

The first is possible. The second would probably cause Senators Jackson and Bumpers to fall away.

What you probably want to do is stress the value of the Senate proposal and the fact that very much deviation from it will cause its collapse.

- B. Participants: The President; Reps. John Anderson, Bill Archer, Clarence Brown, Garry Brown, Jim Collins, Frank Horton, Bill Steiger, and John Wydler; Secretary James Schlesinger; Frank Moore; Jim Free; Kitty Schirmer; and Les Goldman.
- C. Press Plan: White House photographer only.

III. TALKING POINTS

1. I appreciate having the opportunity to meet with you. I realize that you have felt somewhat excluded from the National Energy Act process. I have made a point of not interfering with the conferees or the Congress' deliberations on this bill. I have, against my own instincts, let the process take its course. Now that I am getting more involved, however, I welcome your timely request for a meeting.
2. Let me be frank with you. We may need your votes to get a natural gas bill, as well as other components of the National Energy Plan. In any event, I feel your support is important.
 - I am sure you know the delicate nature of the Senate coalition led by Senators Jackson and Domenici.
 - The Senate bill is a good bill and from the point of view of producers and consumers alike, far better than no bill.
 - Those who have favored continued regulation in the House are attempting to move the Senate agreement in that direction -- at the possible risk of the collapse of the Senate coalition.
 - I know some of you might want to move the Senate proposal closer to deregulation, but that might cause the regulators in the Senate coalition to withdraw.
 - The answer will thus have to be something close to the Senate proposal, and I hope you will give careful consideration to being able to support that proposal.
 - The country sorely needs this bill, and your

statesmanship in helping break this 25-year
deadlock will be important.

BACKGROUND

Rep. John Anderson (R-Ill. 16) Committees: Rules (2); Chairman, Republican Conference. Percentage of support in 1977 - 48.8%. Wife, Keke.

Rep. Bill Archer (R-Tex. 7) Committees: Ways and Means (3). Percentage of support in 1977 - 10.9%. Wife, Pat.

Rep. Clarence Brown (R-Ohio 7) Committees: Government Operations (4); Interstate and Foreign Commerce (4); Joint Economic (Ranking Minority Member, House). Percentage of support in 1977 - 14%. Wife, Joyce.

Rep. Garry Brown (R-Mich. 3) Committees: Banking, Finance, and Urban Affairs (2); Government Operations (6); Joint Economic (2). Percentage of support in 1977 - 25%.

Rep. Jim Collins (R-Tex. 3) Committees: Interstate and Foreign Commerce (6); Post Office and Civil Service (3). Percentage of support in 1977 - 15.2%. Wife, Dorothy.

Rep. Frank Horton (R-N.Y. 34) Committees: Government Operations (Ranking Minority Member). Percentage of support in 1977 - 51.1%. Wife, Marjorie.

Rep. Bill Steiger (R-Wis. 6) Committees: Ways and Means (5). Percentage of support in 1977 - 43.2%. Wife, Janet.

Rep. John Wydler (R-N.Y. 5) Committees: Science and Technology (Ranking Minority Member); Government Operations (3). Percentage of support in 1977 - 28.6%. Wife, Brenda.

Arrival Statement for State Visit of President Ceausescu
of Romania 4/12-13/78

It is a pleasure and an honor for me to welcome
President Ceausescu and his wife Elena to the United States.

His visit is an important step in the continuing
evolution of good relations between Romania and the United
States, which have expanded dramatically over the last
decade. Trade has grown substantially, our governments
consult more closely, and contacts between our peoples
have increased. We want this process to continue.

Romania has come to play an increasingly important
and constructive role in international affairs. It has
achieved friendly relations with countries of all sizes
and all ideological persuasions. It has sought to establish
as guiding principles national sovereignty, independence,
equality, non-interference, and mutual respect. We value
President Ceausescu's active contributions in world affairs,
and particularly respect his efforts to build bridges between
countries that have been locked into opposing and hostile
blocs. Although Romania and the United States have different
political systems and belong to different military alliances,
our goals, I believe, are similar: to build a more just
international economic and political system so that people
everywhere can live in peace and prosperity, with full

1928

respect for their human rights and fundamental freedoms.

Because our perspectives are different, we will not always agree. But by sharing our viewpoints we may arrive at insights of value to both our countries.

I look forward to our meetings with the confidence that they will mark another significant step in the growing cooperation between the United States and Romania. Mrs. Carter and I welcome you and Mrs. Ceausescu to Washington, and we wish you both a pleasant and useful visit.

#

THE WHITE HOUSE
WASHINGTON
April 12, 1978

Mr. President:

I think these arguments are
persuasive and you may want to
take them into consideration in
preparation for your toast
tonight.

A handwritten signature in black ink, appearing to be 'JSP', located in the lower right quadrant of the page.

7:30 PM

THE WHITE HOUSE
WASHINGTON

April 10, 1978

MEMORANDUM TO JODY POWELL

FROM: GRIFFIN SMITH *GS*

SUBJECT: President's Toast at Ceausescu Dinner

*Jody - Jim Fallows brought
this over.*

fax

Several people have expressed unhappiness about the tone of the President's draft toast, which the NSC has prepared and we have edited for style. The feeling that it is too soft on the human rights violations of the Rumanian regime has come to us from Patt Derian's office and (according to Joyce Starr) from Robert Lipshutz and Joe Aragon. They feel the President should toughen up his toast by including any or all of the following points:

-- that many of the human rights issues defined in Principle VII and Basket III of the Final Act suggest the need for careful scrutiny by each of the CSCE states;

-- that we are pleased that Rumanian officials, including the President, have acknowledged the propriety of the two governments' discussing their respective views on these issues;

-- that because of the complexity of resolving the different views over human rights matters, we are pleased that the Rumanian President has been willing to discuss these matters frankly, and that he has endorsed further discussion of these concrete issues after his visit;

-- that both governments look to the period between the Belgrade and Madrid Conferences as a particularly opportune time for CSCE states with different social systems to redouble efforts towards a productive diplomatic dialogue on how better to comply with the humanitarian provisions of Principle VII and Basket III.

The NSC does not want to include these points, but the critics' case seems persuasive to me. The present arrival statement and toast portray Ceausescu as a hero worthy of America's admiration, when we privately admit that he runs "one of the most austere and repressive internal systems in Eastern Europe." Perhaps the foregoing points will help correct the rhetorical imbalance.

Talking Points for State Dinner Toast for President
of Romania

1. Tonight we are welcoming the leader of a country which plays an active, constructive, and courageous role in international affairs. Romania was the first Eastern European country visited by an American president after World War II. Both of my predecessors as president have visited Romania, and this is President Ceausescu's fourth visit to the United States.

2. Romania was the first Warsaw Pact country to seek ways of ending the sharp divisions and confrontation in Europe and to find ways in which both sides could cooperate. The Romanian leadership was an early exponent of the political and economic benefits of detente. President Ceausescu himself has played an increasingly important role in this movement toward cooperation, and our relations have expanded rapidly since 1969. We have established a firm basis for them to continue.

3. We respect Romania's advocacy of the belief that all countries, regardless of their size or political system, should be treated as sovereign, independent, and equal -- and that they should suffer no interference in their internal affairs. The United States considers Romania's independence, sovereignty, and territorial integrity to be key elements of stability in Europe.

4. I appreciate President Ceausescu's willingness to help in securing lasting peace in the Middle East, reducing tensions in Europe, and creating friendlier relations between all the countries of the world.

5. We now have at hand the best available way to heal the military, economic, and humanitarian problems caused by the division of Europe. This is, of course, the Final Act of the Conference on Security and Cooperation in Europe, and the process of cooperation which has occurred because of it. The Final Act is an ambitious undertaking, but we believe that all the participating states should commit themselves to a review of its implementation and a dialogue on all its aspects, including the human rights provisions. I hope Romania will continue to play a useful role in this dialogue.

6. TOAST: To a man of determination who has worked tirelessly to enhance his country's independence; and to the Romanian people, who have our best wishes for a happy, prosperous, and dignified future.

#

THE WHITE HOUSE
WASHINGTON
April 12, 1978

Charles Warren

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

cc: Jim Fallows

RE: SOLAR ENERGY

THE WHITE HOUSE
WASHINGTON

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<input type="checkbox"/>	VOORDE
<input checked="" type="checkbox"/>	WARREN

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
722 JACKSON PLACE, N. W.
WASHINGTON, D. C. 20006

*Charles -
Help Follows with
speech
JC*

April 11, 1978

MEMORANDUM FOR THE PRESIDENT

INFORMATION ONLY

FROM: Charles Warren
Gus Speth

N.S.

SUBJECT: CEQ Report on Solar Energy

~~Enclosed~~ is a copy of a Council report, Solar Energy: Progress and Promise, which we will be releasing tomorrow. The report discusses solar energy's enhanced prospects for meeting U.S. energy needs in this century and beyond. It should be helpful in indicating strong Administration support for solar energy development and in providing a basis for informed discussion of solar issues within the government and by the public.

We also hope that it will be helpful to you personally in preparing for Sun Day. We are now working closely with the Domestic Policy Staff, DOE and OMB in preparing solar energy initiatives for you to consider announcing in connection with Sun Day, perhaps in Golden.

The report summarizes the technical and economic status of each solar technology. While recognizing the institutional and economic problems still to be solved, our conclusions are optimistic:

- Solar energy is already a serious energy option with some applications already at or near commercial feasibility. Most prominent in this regard are solar hot water heating, solar space heating and cooling, small-scale hydropower, wind and fuels from biomass.
- The past few years have seen steady progress in solar economics and technology, and with appropriate support these improvements are expected to continue. There are sound grounds for believing that we can make economically competitive over the remainder of this century a variety of solar technologies for the production of heat, liquid fuels and electricity.
- An optimistic but achievable goal for the year 2000 is to meet a significant portion of our energy needs -- perhaps a fourth -- with solar energy. Meeting this goal will require both rapid development of our solar potential and a serious effort to conserve energy.

- The solar resource base is large and adequate to meet most of our energy needs in the long-term. A goal of providing significantly more than half our energy from solar sources by the year 2020 should be achievable if we commit the necessary resources to that goal and to conservation. This transition to large-scale reliance on solar energy will require reliance on a wide variety of solar approaches: heat from solar collectors and from passive designs for new structures; electricity from small dams, wind turbines, photovoltaic cells, and high-temperature collectors; and gaseous and liquid fuels from biomass.

The report concludes with a summary of recommendations, made by a variety of sources, for accelerating the use of solar energy. CEQ does not specifically endorse any of them, but offers them as discussion points for possible changes in federal programs.

Please let us know if there is any way we can be of further assistance to you in the solar energy area.

THE WHITE HOUSE
WASHINGTON

Mr. President:

With your approval, we
will have the identical
letters autopenned so
that they can be delivered
to the Hill tonight.

_____ Approve

_____ Disapprove

Rick (wds)

*OK'd verbally
by The President,
per Rick @ 5:50 PM*

THE WHITE HOUSE

WASHINGTON

April 12, 1978

Note for the President

From:

Stu

LS for Stu

Attached are the letters which Les Goldman discussed with you earlier today. Arrangements have been made to have them hand delivered to the hill tonight.

Les and Frank Moore have signed off on them.

Identical letters to:

Senator Jackson
Bumpers
Johnston
Ford
Domenici
McClure
Mark Hatfield

Reps. Ashley
Staggers
Dingell
Eckhardt
Rogers
Wilson
Sharp

THE WHITE HOUSE
WASHINGTON

April 12, 1978

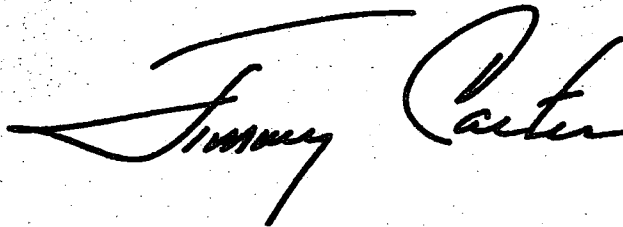
To Senator Dale Bumpers

Jim Schlesinger has reported to me on your progress thus far in discussions on the natural gas issue. I am encouraged by your efforts taken and want you to know of my continuing support.

I understand that you will be continuing your discussions with Jim at 8:00 here at the White House. Because of the urgent need to finally resolve this issue, I would ask that you clear your schedule to the maximum extent possible, particularly for the morning, the late afternoon, and through the evening, to ensure that the momentum which has been established is not lost.

As I indicated to you on Tuesday, I stand ready to assist you in your deliberations in any way which I can.

Sincerely,

A handwritten signature in cursive script, reading "Jimmy Carter". The signature is written in dark ink and is positioned below the word "Sincerely,".

The Honorable Dale Bumpers
United States Senate
Washington, D.C. 20510

THE WHITE HOUSE
WASHINGTON

April 12, 1978

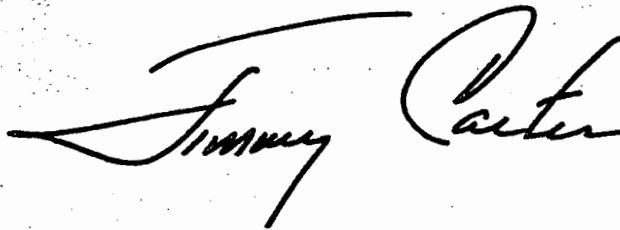
To Senator Dale Bumpers

Jim Schlesinger has reported to me on your progress thus far in discussions on the natural gas issue. I am encouraged by your efforts taken and want you to know of my continuing support.

I understand that you will be continuing your discussions with Jim at 8:00 here at the White House. Because of the urgent need to finally resolve this issue, I would ask that you clear your schedule to the maximum extent possible, particularly for the morning, the late afternoon, and through the evening, to ensure that the momentum which has been established is not lost.

As I indicated to you on Tuesday, I stand ready to assist you in your deliberations in any way which I can.

Sincerely,

A handwritten signature in black ink, reading "Jimmy Carter". The signature is fluid and cursive, with a large, sweeping "J" and "C".

The Honorable Dale Bumpers
United States Senate
Washington, D.C. 20510

Urban pky incl 11/11/78

JF:4/7/78

*Susan
rough draft*

to lay
the
[~~I~~] I have come here_^ to discuss one of the most urgent
of
questions ~~our nation faces today~~. That question is
whether we can protect our economic expansion_^ and the
jobs and prosperity [~~it has brought to~~ *of*] our people_^
growing
from the threat of _^inflation.

I believe that we can, *whatever* and I will take ~~the~~ steps *I can*
necessary to see that we do.

[~~I have said from the beginning that~~] *our* economic
policies cannot afford to ignore either unemployment
or inflation. We must deal with both at once, if we
~~truly~~ hope to correct either one. *Δ*

During
In _^these last fifteen months_^ we have made good
progress in our efforts to sustain growth and create
jobs. Four and a half million more people are at work
today than fifteen months ago. The unemployment rate

we ~~still~~ ^{serious} have economic problems which cause
us deep concern. The ~~rate of inflation has begun to~~
^{continuing} rise again, and

-2-

^{twenty-five percent.}

has fallen by nearly a quarter, ~~[from almost 8 per cent~~

~~to a little more than 6 per cent]~~ Average household

income, after adjustment for both taxes and inflation,

is 5 per cent higher now than a year ago. Business

profits in the second half of 1977 were 15 per cent

higher than one year before, and during that time
the inflation rate was held to ~~about 7~~ ⁷ %.

Unemployment is ~~still~~ ^{still} too high, particularly among

our young people and minority groups, ~~I remain deeply~~

~~committed to its reduction~~ We are determined to sustain

our progress toward high employment and rising real ^{income}

wages -- with ^{with existing effective} ~~as I proposed two weeks ago~~ new, care-

fully targeted incentives to encourage private business

to hire the hard-core unemployed, ~~[and with a continued~~

~~high level of public service jobs.]~~

Our nation's ^{economic} health ^{can be protected} ~~program will be possible~~
But our recovery will ~~(only -- I repeat only --)~~ continue

Inflation?

Probs - continue
to resolve

now
focus

Proposed Insert in Inflation Speech (to go after first full paragraph on Page 3)

(Existing language: . . . Both must be controlled.)

The steps that we will take to this end should be seen as part of a wider international effort by the major industrial nations to promote world recovery/ ^{in 1978.} In this effort, each country has a role to play -- with the US maintaining its growth while attacking inflation and limiting oil imports, other countries achieving their growth targets, and all countries avoiding protectionism and providing greater aid to developing countries. In this way, each will contribute to a concerted approach and all will gain from it. In the hope that this approach will make a large contribution to world recovery, I joined six other heads of state and government yesterday in announcing that we will meet July 16 and 17 in Bonn to press ahead with ~~concerted effort~~ *to this end. our common efforts.*

But the first prerequisite is effective ~~national~~ action, *within each nation.*

(Existing language)

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only
if we can cope ~~[now]~~ with two developments that ~~[new]~~ *now* have
become ~~the~~ *our* most serious ~~step~~ *high level of*
threat ~~to~~ its progress -- the ~~steady rise~~ in oil im-
ports ~~and the threat of~~ *increasing rate of* inflation.

These two ~~both~~ *and*
~~Both~~ problems ~~imperil~~ our economic recovery ~~[both]~~
threaten the strength of the dollar, ~~and they~~ *Both* must be
controlled.

→
Let me speak first about energy imports and their
impact on the dollar.

Over the past fourteen months, the value of the
dollar has fallen substantially in international markets,
~~[This sharp decline reflects some unpleasant facts about~~
~~the state of our economy.]~~

reflecting
~~[Most importantly,] it reflects the fact that we are~~
~~importing far too much foreign oil. Indeed, one of~~

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~~the greatest threats to the economic well-being of our~~
~~nation is the constant drain of [money we are] paying for~~ *too much money*
~~imported oil.~~ *primary cause of* The deterioration in our balance of
trade and the value of the dollar is no mystery when we
remember that *7* ten years ago we were paying roughly \$2
billion for imported oil, while this year *oil imports will cost us* ~~we will spend~~
us more than \$45 billion.

Our energy problems are no longer theoretical or
potential. They are an active threat to the economic
well-being of our people.

Of all the major countries in the world, we are
the only one without a national energy policy, *and* because
we have not *acted* ~~developed such a policy~~ *acted*, other nations have begun to doubt
our will. Holders of dollars throughout the world have
interpreted our failure to act as a sign of economic

-5-

weakness, ~~and political paralysis,~~ and these views
have been directly translated into a ^{decreasing} ~~falling~~ value of
our currency.

The falling dollar ^{in international money markets} ~~[only]~~ makes inflation worse, ^{here}
at home.

It raises the prices of goods we import, and this makes
it easier for domestic producers to raise their own
prices as well.

That is why we must have ~~[an]~~ energy ^{legislation.} ~~[bill]~~ Our

security depends on it, and our economy demands it.

The Congress must ^{complete action without further delay.} ~~[act now]~~ ~~/if it does not, I will~~

If Congress does not act, oil imports will have to be
~~have no choice but to take administrative actions,~~

limited by administrative action. ~~Although (such a~~
~~on an interim basis, to limit oil imports. The energy~~

~~this decision) would provide only one way or the other.~~
~~program I have proposed would do a better, fairer, more~~
~~oil imports must be reduced.~~

~~effective job of limiting imports than the administrative~~

~~actions that are available, but one way or another,~~

~~that job must be done.]~~

See
attached,
note
#1

See
attached
Note 2

2

Our health and welfare

Economic growth has exceeded that

of most ~~of the~~ other nations also are

our major trading partners, so we

have been better off to buy their

goods than for them to buy ours.

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other imports

~~Although oil imports, and the huge trade deficits they cause, are the main cause of the declining value of the dollar, there is another cause as well. We have not done as good a job as we must in promoting our exports.~~

(C) → We realize that our
Today ~~our~~ standard of living and our ability to

grow depend on the raw materials and goods we import

but to prevent serious trade imbalances
from abroad, ~~As we import more,~~ we must export more
agricultural products and other goods and services
to pay for the goods and services we receive from

other countries.

~~I believe we must do away with unnecessary impediments to exports and replace them with incentives.~~

~~We must include exporting among our important national goals.~~

7

~~I am today establishing~~ A Cabinet-level task force,
chaired by the Secretary of Commerce, ^{will} to develop *additional*
measures to promote exports, and will report
back to me within 60 days.

(1)

I have come here today primarily to discuss the urgent question of whether we can protect our national economic growth and the jobs and prosperity of our people from the threat of growing inflation.

add here p on
(history of inflation)
(from C Schultze)

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^{additional} ~~measures designed to promote exports, The task force~~
~~will report back to me within 60 days. [I am deter-~~
~~mined to work with business, labor, and the Congress~~
~~to create a better exporting environment, one which~~
~~will strengthen our domestic economy and our economic~~
~~position in the world.]~~

(D) → ^{efficiency and} ~~waste,~~ ^{eliminating} ~~Conserving energy, increasing, productivity, reducing~~
~~Reducing our oil imports and expanding our~~
^{help to control fight}
~~exports will [prepare us to fight]~~ inflation; but making
that fight a success will require firm government
policies and full private cooperation.

[The damage ^{of} ~~that~~ rampant inflation ~~can do~~ is all
too recent in our memories. It makes family savings
melt away. It destroys plans and hopes. And it damages
the social order by undermining people's sense that
they can control their own lives and their own futures.]

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~~It imposes its worst hardships on those --~~
such as the poor and the elderly -- who cannot defend
themselves against it. We know that inflation does not
cure unemployment, but is too often the prelude to
another round of recession and lay-offs, with the
incalculable damage they do to American families.

Only if we face these problems with the serious-
ness they deserve will we be able to take the measures
that are required for success. My purpose in coming
here today is to explain what those measures are,
~~and why we must take them.~~] Our efforts must be based
on three hard realities.

The first is that the causes of our economic
problems are connected -- and the solutions ~~must be~~
~~too~~ inefficiency, bottlenecks, and wasteful use of

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resources can aggravate both unemployment and inflation

at the same time. ~~X~~ The danger of continued inflation

is not simply that it will rob American families of the economic gains that they have made, but also that it can bring another round of unemployment in its wake.

But sensible efforts to correct one problem can improve

the other as well. That is why our ^{successful} employment efforts

are ~~now~~ ^{now} focusing

^A focus on structural changes in the economy which can

actually reduce inflationary pressures while creating

new jobs.

The second reality is that dealing with inflation

will be a long effort, which will require dedication

and persistence from us all. ~~The current~~ Inflation

has become embedded in the very tissue of our economy.

It has resisted the most severe recession in a generation.

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It persists because all of us -- business, labor,
farmers, consumers, and the government itself --
are caught on a treadmill that none can stop alone.

Each group tries to raise its income to keep up with
present and anticipated rising costs; eventually we all ^{lose the "inflation" battle together.} ~~[fall behind]~~

There is no quick way to stop that treadmill,
no simple solution; it can only be done through ^{combined} ~~deter-~~
~~mined~~ efforts, month after month, year after year.

The third reality is that we will only succeed in
reducing inflation if we recognize a common interest
above all special interests, and if we are determined
that the common interest will have a clear public
voice.

[I am absolutely committed to speak out for the
public interest in reducing inflation. In this free

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economy, there is one step that I will not take --
that of imposing controls on wages and prices. Controls
offer temporary relief, while creating lasting problems.
I will not use them. I will use the full resources
of this office to encourage those who cooperate in
our shared national task, and to point out publicly
those who do not.]

*More
done*

[Two months ago, in my Economic Report to Congress,
I announced [a general framework for] a voluntary
program to reduce the rate of wage and price increases
over the next several years. Since that time I have
been working on ways to implement that program. Today,
I would like to discuss briefly some major steps in
that effort.]

Our first and most direct efforts are within
government itself. Where government contributes

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to inflation, that contribution should be lessened;
where ^{government} its costs are too high, those costs should be
reduced; where ^{government} it imposes an inflationary burden on
business, labor, and consumers, those burdens should
be lightened; and where ^{government} it can set an example of
restraint and efficiency, it must do so.

See
attached
Note
#3

[In January I proposed a budget for the next fiscal
year that is tight, but that meets the nation's needs.

The prospective deficit in that budget is as large as

we can afford without compromising our hopes for

balanced economic growth and ^a declining inflation ~~rate~~

Many possible additions to the budget might serve
worthy ends, ^{but we must exercise} ~~But there must be a voice for fiscal~~
restraint, and ^{be willing} ~~a willingness~~ to make hard choices
about how to use our limited resources. Otherwise

Inc agric. & other exports.
Cabinet members report

Potential outlay increases in the
1979 budget which are now being
considered by Congress would add
between \$9 billion and \$13 billion

to spending levels next year. Some
of these ^{politically} attractive programs would

escalate rapidly in cost in future
of special concern are tuition tax
years. ~~The integrity of the budget~~
Credits, highway and urban transit programs, postal
~~must be protected.~~ service financing,
farm legislation, and defense spending.

Fiscal Year 1979

In January, I proposed a budget for the next fiscal

year that is tight, but that meets the nation's needs. *The recently announced urban program^{financing} was included for next year. as large as we can*
The prospective deficit in that budget is on the order of \$60 billion. *As always, pressures are developing on declining inflation rate.*

* all sides to enlarge that deficit. * *For example: farm*

bill, tuition tax credit, others. It is essential to our

future prosperity that these pressures be resisted, *and that the integrity of the budget be protected.*

Indeed, as opportunities arise, we must work to reduce ~~that~~ *the* deficit, and to ensure that beyond 1979 the budget deficit declines steadily and moves us toward budget balance. ~~We must not allow pressures for larger tax cuts and more spending to ruin the economic recovery.~~ I will work closely with the Congress and,

if necessary, will exercise my veto authority to assure that *the* ~~that~~ budget *deficit* ~~line~~ is held, *at or below the limits I set forth in January.*

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our larger shared goal of general economic health
will be lost. [I will work closely with the Congress
to make these choices.] If necessary, I will exercise
the full powers of my office, including the veto
authority, to assure that the tax reductions, spending,
and planned deficit in this year's budget are in line
with my proposals.]

The Federal government must also act directly to
moderate inflation. We can take the lead in breaking
the wage and price spiral by holding federal pay in-
creases down. During the past two years, Federal
white collar salaries have risen an average of six per
cent annually. I ^{will} ~~intend to~~ propose limiting them to
about 5.5 per cent this year, thereby setting an
example for labor and industry to moderate price and
wage increases. All Executive appointees and members

Two months ago I proposed that ^{new} wage and price
increases be voluntarily held below the average
increase for the two preceding years - an important
principle of deceleration.

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^{Senior}
of my staff will also do without a pay increase
this year. ~~We must begin somewhere, and I believe~~
Furthermore, I urge similar action
this year by the Congress for Federal judges
~~the federal government should take the first step.~~
and for its ^{own} members.

~~[I also ask]~~ state and local governments ~~[which]~~
employ every seventh worker in our nation ~~[to do~~
~~their part.]~~ ^{and} I have ~~today~~ sent letters to every
governor and to the mayors of our larger cities asking
that they follow the federal example and hold down their
pay increases. ~~[And ~~if~~ those governments plan to~~
~~reduce taxes.]~~ ^{have also asked} I ~~ask~~ that they first consider lowering
sales taxes, which add directly to the consumer's
burden.

The federal government will take several other
steps to reduce inflation.

-- ~~I am directing~~ ^A all Executive Branch agencies

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will
~~to~~ avoid or *reduce* ~~delay~~ the purchase of goods or services
whose prices are rising rapidly, unless by so doing
we would seriously jeopardize our national security
or create serious unemployment. ~~[We may have to~~
~~delay certain purchases for a while, or perhaps even~~
~~do without them altogether]~~ I am also asking that
all new or renegotiated Federal contracts which con-
tain price escalation clauses should reflect the
define principle of deceleration.

-- We must ~~[find ways of]~~ cutting the inflationary
costs which private industry bears as a result of
government regulations. ~~[We must achieve the benefits~~
~~of regulation at the lowest possible cost, and not~~
~~pursue them singlemindedly for their own sake, re-~~
~~gardless of waste, expense, or affronts to common sense.]~~

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ok
Last month I issued an ~~Executive Order on Federal~~
~~regulations designed to address this problem. It~~ which
directed regulatory agencies to ^{minimize the adverse} ~~consider~~ the economic
consequences of their actions. ~~To emphasize the im-~~
~~portance of attaining this objective, I have established~~
a committee to review the economic impact of major
regulations and have asked its Chairman to report to
me ~~personally on the outcome of each review.~~

Summit
We ~~must~~ ^{we} review these regulatory programs every
few years, to eliminate or change those that have become
outdated. I support "sunset" legislation to ensure
that such reviews take place.

I strongly support the airline regulatory reform legislation, which
has already passed the Senate
and which will reduce consumer costs even further.

-- The combined actions of my Administration and
the Civil Aeronautics Board have ^{already} led to substantial
cuts in some airline passenger fares, and ~~There will be~~
~~more if the Congress passes the airline regulatory~~

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See
attached
Note 4

~~reform bill, which I strongly support.]~~ We are also
re-examining ^{excessive} Federal regulation of the trucking
industry, ^{which may result in increased efficiency while}
~~[with an eye towards significantly]~~ reducing
freight transportation costs and retail prices.

In addition, I am asking the independent agencies
that regulate some of the most important parts of our
economy to ^{try} ~~[take the need]~~ to reduce inflation ~~[into~~
~~account]~~ when they review rate ^{changes.} ~~increases~~, and ~~I have~~
~~asked them~~ to explore regulatory changes that can
make the ^{regulated} industries ~~they regulate~~ more efficient.

--Last fall, my ~~Administration worked with the~~
~~Congress to develop~~ major new legislation, ^{was passed} to improve
economic conditions on our farms, ^{and we have just taken} ~~More recently we~~
~~took~~ additional steps to raise farmers' incomes this
year.

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Farmers themselves are victims of an inflation which raises production costs, ~~We cannot ignore the particularly severe problems faced by wheat farmers.~~

But the Nation cannot tolerate a recurrence of double-digit inflation of food prices. Consequently, I will veto any legislation, beyond what I have already recommended, that would lead to higher food prices or budget ~~outlays~~ expenditures.

Construction rates have been at a high level and

Construction

-- Housing costs have risen rapidly, partly because of sharp increases in the price of raw materials such as lumber. Since lumber accounts for one fourth of the total cost of a new house, we can obtain some relief by increasing ~~production~~ production and using our existing lumber output more efficiently. Therefore, I have instructed the Departments of Agriculture and Interior, *The Council on Environmental Quality, and* ~~together with~~ my economic advisors, to report to me

The best ^{sustain an expanded yield of}
within 60 days on ^{ways to} ~~expand~~ on a sustained yield
^{harvests} ~~basis~~, timber ^{and from} ~~harvests~~ from Federal lands. ~~I have asked~~
~~them as well to find ways of expanding production on~~
state and private lands.

Daily Hospital costs ^{per day} ~~per day~~ have
-- The price of a ^{day} ~~day~~ in the hospital has risen ^{jumped}
^{and}
from \$15 in 1950 to over \$200 today, ^{physicians'}
fees have risen 75 per cent faster than other consumer
prices. ^{proposed} ~~the~~ Hospital Cost Containment bill that ~~I have~~
~~proposed to the Congress as the most effective step~~
we can take toward reasonable hospital prices. It is
^{very important} ~~absolutely vital~~ that Congress act now on ~~this bill~~.

Failure of Congress to act on
the Hospital Cost Containment legislation
will add ^{more than \$20 billion} ~~more~~ in government spending
over the next ^{four} ~~four~~ years.

~~The~~ ^{Such} government actions ^{as} I have discussed today can

be an important step toward controlling inflation. But

success or failure in this ^{overall} effort will ^{largely} be determined

by the actions of the private sector of the economy.

I expect industries and labor to keep their
price, wage, and salary increases significantly

below the average rate for the last two years.

This will not be easy. But the example of Federal
^{action}
~~employees~~ must be matched. Inflation cannot be solved
by placing the burden of fighting it only on a few.

[~~I am appealing not merely to leaders of industrial
firms, business, and labor organizations, but to all
segments of our society.~~] Those who set medical,

legal, and other professional fees, college tuition
rates, insurance premiums, and other service charges

must also join in. ~~In other words, I am asking~~

~~everyone in our nation -- I am asking you -- to~~

~~make a small sacrifice for the welfare of our nation.~~

The Council on Wage and Price Stability recently began a series of meetings with representatives of business and of labor in major industries. ~~Over the next several months, these meetings will be covering~~ such ~~major industries~~ as steel, autos^{mobiles}, aluminum, paper, railroads, food processing, communications, lumber,^{and} the postal service, and others. In consultation with the private parties the Council will identify the rate at which prices, wages, and other costs have been rising in recent years, the outlook for the year ahead, and the steps that can be taken to decelerate inflation. ~~We will ask these industries to decelerate -- and if they say they cannot, what steps we must take to see that they can.~~ ?

~~I have also asked the Council to monitor developments in special private markets and to inform~~

me when our anti-inflation goals are not being met.

In cases where industries or unions are clearly choosing not to join the effort to decelerate,

I will speak out, and I have directed my senior advisors to do the same. J

Let me be blunt about this point. Our national interest simply cannot withstand unreasonable increases in prices and wages. It is my responsibility to defend our national interest, and I will speak out firmly and clearly when the welfare of our people is at stake.

Members of my Administration have already discussed this deceleration program with a number of leaders of business and industry. They have promised their cooperation, Next week ^{and} I will meet with them ~~personally~~ to discuss contributions that they can make to help slow the rate of inflation. ~~Among other~~

~~things, I will ask them to assure that their executives, along with the men and women on the assembly lines, have their pay subject to the deceleration standards.~~ } We have also discussed our program with leaders of organized labor, whose participation is crucial. Later I expect to meet with them personally to discuss the ~~outlook for~~ ^{future} wage increases.

~~[I will lead this fight personally, because]~~ I am determined to devote the power of my office toward the objective of reduced inflation. Our approach must be flexible enough to account for the variations in our complex economy -- but it must be comprehensive enough to cover most of the activities of our economy. We must anticipate developments, and not simply react, ^{to} crises.

In the long run, we should develop special programs to deal with sectors of the economy where

government actions have the greatest potential for
reducing inflation. These include housing, medical
care, food, transportation, energy, and the primary
metals industries. I ^{have} ~~will~~ instruct ^{and} the members
of my Cabinet to work ^{individually and} with the Council on Wage and
Price Stability to develop ^{and to announce ~~early~~ action to reduce} ~~proposals for reducing~~
inflation in their ^{own} ~~areas~~ of responsibility.

^{Reducing the} ~~Bringing~~ ^{rate} ~~inflation under control~~ will not be
easy, ~~and~~ it will not come overnight. It will ~~come~~ ^{happen}
only if we find within ourselves qualities that are a
basic part of our ^{of} ~~nation~~ character, but which we have
neglected for some time.

^{The reduction}
It calls for a ~~recognition~~ of waste ~~and a~~
~~determination to reduce it~~, in our use of ^{energy and other} resources,
~~especially energy~~, ^{restraint} in our demands for public services;
^{improvements} and ⁱⁿ our private standards of production ^{ivity}.

It demands a willingness to exercise restraint.

Above all, it requires an understanding that our common welfare will prevail only if we are willing ~~for a moment~~ to temper the demands of our individual interests. Time and again in our history, the test of our success has been whether, as free ~~men and women~~ ^{people,} we have freely chosen the public interest over ~~many private concerns.~~ ^{special selfish interests} *concerns.*

This is such a time. No act of Congress -- no program of our government -- no order of mine can alone bring forth the ^{se} qualities ^{we need.} ~~I speak of.~~ They depend on ^{a common national} ~~our own~~ determination to help ourselves -- *a commitment I know is shared with* ~~a determination I~~ believe the people of our country share with me.

#

4/10/78

NO COPIES

VP. Mike - Schultze - Stu -
Jim Mc - Jody - Fallows

Meet with me at
3:00 p.m.

~~The economy of the United States~~
During the ~~the~~ last fifteen months ~~we~~ have ~~has~~
~~made~~ good progress, ~~in our efforts to sustain~~ ~~growth has been~~
~~and creating jobs.~~ ~~a record number of jobs have been created.~~ ~~sustained~~
~~and [create jobs].~~ Four-and-a-half million more people

are at work today than fifteen months ago. The

unemployment rate has fallen by nearly twenty-five

percent. Average household income, after adjustment

for both taxes and inflation, is 5 percent higher

now than a year ago. Business profits in the second

half of 1977 were 15 percent higher than one year

before, and during that time the inflation rate

was held to a reasonable and predictable level.
percent.

But too many Americans --

~~^ [unemployment is still too high]~~ particularly
~~[among our]~~ young people and ~~minority groups~~ ~~^~~ ~~we are~~ ~~without jobs.~~
numbers of -- are still

~~^~~ ~~economy's~~
I am determined to sustain our progress toward high employment
and rising real income, with ~~both~~ ~~^~~ existing programs and

with new, carefully targeted incentives to encourage private business to hire the hard-core unemployed.

But we have ~~serious~~ economic problems which cause us continuing deep concern.

Our nation's economic health can be protected only if we can cope with ^{the} two developments that now ^{threaten it} ~~(have become our)~~ most serious ^{ly.} threats -- the high level of oil imports and the increasing rate of inflation.

These two problems both imperil our economic recovery and threaten the strength of the dollar, and they must be controlled.

The steps that we will take ^{are} ~~to this end~~ should be seen as part of a wider international effort by the major industrial nations to promote

world recovery in 1978. In this effort, each country has a role to play -- with the U.S. maintaining its growth while attacking inflation and limiting oil imports, other countries achieving their growth targets, and all countries ~~avoiding~~ avoiding protectionism and providing greater aid to developing countries.

~~In this way, each will contribute to a concerted~~

~~approach and all will gain from it.~~ In the hope that

this ^{concerted} approach will make a large contribution to world

recovery, I joined ^{The leaders of six other nations} ~~six other heads of state and govern-~~

~~ment~~ yesterday in announcing that we will meet *on*

July 16 and 17 in Bonn to press ahead with our common efforts.

But the first ^{requirement} ~~prerequisite~~ is effective action

within each nation.

Let me speak first about energy imports and
their impact on the dollar.

subject in recent
~~Over the past fourteen months,~~ the value of
the dollar has fallen substantially in international
markets.

*as other
nations have
begun
to doubt
our
willingness
to deal with
our energy problems,*

*primary
reasons are* The ~~[primary cause of deterioration in our]~~ reasons for our problems with the

balance of trade and the ^{decreasing} value of the dollar is no

mystery. ~~[when we remember that]~~ Ten years ago we were

paying roughly \$2 billion for imported oil, while ~~at that~~

F This year oil imports will cost us more than
\$45 billion.

Our energy problems are no longer theoretical
or potential. They are an active threat to the
economic well-being of our people.

Of all the major countries in the world ~~we~~ *the United States*
US/ ~~are~~ the only one without a national energy policy,
the Congress has
and because ~~we have~~ not acted, other nations have
begun to doubt our will. Holders of dollars throughout
the world have interpreted our failure to act as a
sign of economic weakness, and these views have been
directly translated into a decreasing value of our
currency.

• The falling dollar in international monetary
markets makes inflation worse here at home. It
raises the price of goods we import, and this makes
it easier for domestic producers to raise their own
prices as well.

That is why we must have ^{*meaningful*} energy legislation ~~without~~
further delay.
Our security depends on it, and our economy demands it.

~~The Congress must complete action without further~~

~~delay.~~ *then under present law* If Congress does not act, oil imports will

under present law have to be limited *under the law.* by administrative action. ~~One way~~
action, which is not the most desirable solution. One way
or the other, oil imports must be reduced.

Recently

our healthy and sustained economic growth has
exceeded that of most other nations who are our major
trading partners, so we have been better able to buy
their goods than *they have* ~~for them~~ to buy ours.

~~We realize that~~ our standard of living and our

ability to grow depend on the raw materials and goods

other countries. Therefore, we import from abroad, but *further* to prevent serious trade

need to have to imbalances, we ~~must~~ export more agricultural products

and other goods and services to pay *the bill for* ~~for the goods and~~

~~services we receive from other countries.~~

our purchases abroad.

A Cabinet-level task force, chaired by the
Secretary of Commerce, will develop additional measures
to promote exports, and will report back to me within
60 days.

I will
~~I have come here~~ today primarily to discuss
the steps we must take to
~~[the urgent question of whether we can]~~ protect our
national economic growth and the jobs and prosperity
of our people from the threat of growing inflation.

Schultz
on history
of inflation
→

Robert A

- 8 -

Conserving energy, increasing efficiency and productivity, eliminating waste, reducing oil imports and expanding our exports will help to fight inflation. ^{But} making that fight a success will require firm government policies and full private cooperation.

[H] Our efforts must be based on three hard realities.

~~over~~ The first is that ^{interconnected} the causes and the solutions of our economic problems are ~~connected~~ Inefficiency, bottlenecks, and wasteful use of resources can aggravate both unemployment and inflation at the same time. The danger of continued inflation is not simply that it will rob American families of the economic gains that they have made, but also that it can bring another round of unemployment in its wake.]

INSERT A

The inflation we are suffering today began many years ago and was aggravated in 1973 and 1974 by a quadrupling of OPEC oil prices, widespread crop shortages, ~~Russian~~ *Soviet* grain purchases, and a worldwide industrial boom that led to double digit inflation in the United States.

substantial

devaluation of the dollar,

*and
around
the world.*

But sensible efforts to correct one problem can improve the other as well. That is why our successful employment efforts are now focusing on structural changes in the economy which can actually reduce inflationary pressures while creating new jobs.

The second reality is that dealing with inflation will be a long effort, which will require dedication and persistence from us all. INSERT A at now Inflation has become

embedded in the very tissue of our economy. It has resisted the most severe recession in a generation.

It persists because all of us -- business ^{and} labor,

farmers ^{and} consumers, ~~and the government itself~~ -- are

caught on a treadmill that none can stop alone. Each

group tries to raise its income to keep up with

present and anticipated rising costs; eventually we

all lose the inflation battle together.

73

There are no easy answers. We will not solve inflation by increasing unemployment. And we will not ~~solve inflation~~ by ^eimposing wage and price controls. We will work with measures that avoid both extremes.

get off
There is no quick way to ^{stop} that treadmill,
no simple solution; it can only be done through
combined efforts, month after month, year after year.

The third reality is that we will only succeed
in reducing inflation if we recognize a common
interest above all special interests, and ^{only} if we are
determined that the common interest will have a
clear public voice.

INSERT B - from Schultz

Our first and most direct efforts are within
government itself. Where government contributes
to inflation, that contribution ^{must} ~~should~~ be lessened;
where government ^{expenditures} ~~costs~~ are too high, ^{that spending} ~~these costs~~
should be reduced; where government imposes an
inflationary burden on business, labor, and consumers,

those burdens should be lightened; ^{wherever} and ~~where~~ government
can set an example of restraint and efficiency, it
must do so.

The budget ^{have}

In January, I proposed a Fiscal Year 1979

X budget for the next fiscal year that is ^{both} tight, but ^{and} capable
^{ing the nation's most pressing needs.}
that meets ^{including} the nation's needs, ^{of} the recently announced
urban financing program, ^{which} was included for next year.

The prospective deficit in that budget is as large
as we can afford without compromising our hopes for
balanced economic growth and a declining inflation
rate. As always, pressures are developing on all
^{increase spending and}
sides ^A to enlarge that deficit.

Potential outlay increases in the 1979 budget
which are now being considered by Congress ^{incl commitments} would add
between \$9 billion and \$13 billion to spending levels
next year. ^{for} Some of these politically attractive

The price of

programs would escalate rapidly ~~in cost~~ in future

I am especially ~~of~~ *concern* ~~are~~ tuition tax credits,

highway and urban transit programs, postal service

financing, farm legislation, and defense spending.

By every means at my disposal, I will resist those

~~[It is essential to our future prosperity~~

~~that these]~~ pressures *and protect* ~~[be resisted and that]~~ the integrity

of the budget ~~[be protected]~~. *I call on all of those who
are sincere about our
nation's economic health
to join me in that fight.*

Indeed, as opportunities arise, we must work

to reduce the ^{budget} deficit, and to ensure that beyond 1979

the ~~budget~~ deficit declines steadily and moves ^{us}

toward ^a ~~budget~~ balance. ^{budget.} I will work closely with the

Congress and, if necessary, will exercise my veto

authority to ^{keep} ~~assure~~ that the ¹⁹⁷⁹ budget deficit ~~is held~~

at or below the limits I ~~[set forth in January]~~.

have proposed

The Federal government must also act directly
to moderate inflation.

*in each sector in industry and
sector of the economy*
Two months ago I proposed that ~~new~~ wage and
this year price increases *significantly* be voluntarily held *significantly* below the average
increase for the two preceeding years -- an important
principle of deceleration.

*Insert
Schultz*
I am determined to
[~~we can~~] take the lead in breaking the wage and
price spiral by holding Federal pay increases down.

Last
[~~During the past two~~] years, Federal white collar
rose by more than seven
salaries [~~have risen an average of six~~] percent annually.
I intend to
reduce to a limit of
I (~~will~~) propose limiting them to about 5.5 percent

this year, thereby setting an example for labor and

industry to moderate price and wage increases. *This year*
I will also freeze the pay of all
All Executive appointees and members of my senior

staff, [~~will also do without a pay increase~~] this year.

I will also
propose a pay freeze for

INSERT X

I have ~~consulted with the leaders of the Congress, who~~
~~have promised that they will take the same action for~~
~~Federal judges and their own members.~~ I believe that those
who are most privileged in our nation--including ^{others in government and} executives
^{a similar} ~~of~~ private companies--should set ^{an} example of restraint.

Insert X

Furthermore, I urge similar action this year by the Congress for Federal judges and for its own members.]

State and local governments employ every seventh worker in our nation, and I have sent letters to every Governor and to the Mayors of our larger cities asking that they follow the Federal example and hold down their pay increases. I have also asked that if those governments plan to reduce taxes they first consider lowering sales taxes, which add directly to the consumer's burden.

The Federal government will take several other steps to reduce inflation.

-- All Executive Branch agencies will avoid or

Examples?

reduce the purchase of goods or services whose prices are rising rapidly, unless by so doing we would

I am determined to eliminate unnecessary regulations and to ensure that future regulations do not impose unnecessary costs on the American economy. Our efforts to reorganize the Federal ^{bureaucracy} government and ^{to} streamline the civil service will help us ~~phxhxxh~~ put the government's house in order.

INSERT Q

I also urge Congressional committees to report regularly
to the Congress on the ^{inflationary effect of} ~~effect~~ that pending legislation, ~~would~~
~~have on wages and prices~~, such as the Council of Economic Advisors
and ^{the} ~~the~~ Council on Wage and Price Stability, ^{now} ~~now~~ report to me.

seriously jeopardize our national security or create serious unemployment. I am also asking that all new or renegotiated Federal contracts which contain price escalation clauses should reflect the principle of deceleration.

-- We must cut the inflationary costs which private industry bears as a result of government regulations.

executive
Last month I directed ^{under my control} regulatory agencies to minimize the adverse economic consequences of their actions. ~~INERT Q~~ Schultz

I support "sunset" legislation to ensure that we review these regulatory programs every few years, to eliminate or change those that have become outdated.

~~Congressional Record~~ INERT Q

-- The combined actions of my Administration and the Civil Aeronautics Board have already led to substantial cuts in some airline passenger fares, and despite the opposition of private interests, the I strongly support ~~the~~ airline regulatory reform legislation, ~~[which has already passed the Senate]~~ and must be enacted this year. which will reduce consumer costs even further. We are also re-examining excessive Federal regulation in effort of the trucking industry, which may result in increased efficiency while reducing freight transportation costs and retail prices.

In addition, I am asking the independent regulatory agencies that regulate some of the most important parts of our economy to try to reduce inflation when they review rate changes, and to explore regulatory changes that can make the regulated industries more efficient.

INSERT T

Unfortunately,

The Senate has just passed a bill that would raise food prices by 20 per cent and the overall cost of living by 3 per cent, ~~that would~~ shatter confidence in the crucial export markets for America's farm products, and cripple American farm families through increased costs. It is bad for ~~the~~ farmers, bad for consumers, and bad for our nation.

-- Last fall, major new legislation was passed
which will ^{for farm families,}
to improve economic conditions ^{on our farms,} and we
announced additional administrative action
have just taken additional steps to raise farmers'

incomes this year.

INSERT T

~~The Senate has just passed a bill that would raise food prices by 30% to 40% for farm products, in the overall effort to help farmers and their families.~~

Farmers themselves are victims of an inflation

which raises production costs, but the nation cannot

tolerate a recurrence of double-digit inflation of

food prices. Consequently, I will veto any ^{farm} legislation,

beyond what I have already recommended, that would

lead to higher ^{food} ~~food~~ prices or ^{farm prices} ~~budget~~ expenditures.

raise
prices
of
food
for
the
consumer,
lead
to
our
action.

-- Housing construction rates have been at a
high level and costs have risen rapidly, partly because
of sharp increases in the price of raw materials such
as lumber. Since lumber accounts for one-fourth of
the total cost of a new house, we can obtain some
relief by increasing production and using our existing

lumber output more efficiently. Therefore, I have instructed the Departments of Agriculture and Interior, the Council on Environmental Quality, and my economic advisors, to report to me within ³⁰~~60~~ days on the best ways to sustain expanded timber harvests from Federal, ~~lands and from State, and private lands.~~

Stu +
Cutter
suggest

and other
means of increasing
lumber yields in ways
that would be environmentally

Per
Bryland
+
Andrews

-- Daily hospital costs have jumped from \$15 in 1950 to over \$200 today, and physicians' fees have risen 75 percent faster than other consumer prices.

acceptable,
economically
efficient,
and
consistent
with
sound
budget
policy.

It is very important that Congress act now on the proposed Hospital Cost Containment Bill as the most effective setp we can take toward reasonable hospital prices. Failure of Congress to act on the Hospital Cost Containment legislation will ^{cost the taxpayer} ~~add~~ more than

^{18/}
~~\$20~~ billion in ^{needless} government spending over the next ^{five}
~~four~~ years.

INSERT Y

INSRT Y

Together ^{with} the airline deregulation bill, this is one
of the two most important ^{measures} ~~steps~~ the Congress can ^{pass} ~~take~~ to
protect the public interest in ^{stable} ~~economic~~ growth. The
~~passage of these measures~~ ^{have} has so far been delayed by the
opposition of powerful ^{special lobbying groups} ~~private~~ interests. The bills will
only prevail if ^{the} ~~the public~~ all of us state our
clear public interest in their passage. I will lend that
~~continue to lend these~~ ^{give this legislation}
effort, my full support, and I call on the leaders of
Congress to do the same.

is stated
of and
of

Such government actions as I have discussed today can be an important step toward controlling inflation. *But it is a myth that the government itself can stop inflation.* But success or failure in this overall effort will largely be determined by the actions of the private sector of the economy.

I expect industry and labor to keep price, wage and salary increases significantly below the average rate for the last two years. Those who set medical, legal, and other professional fees, college tuition rates, insurance premiums, and other service charges must also join in. This will not be easy. But the example of Federal action must be matched. Inflation cannot be solved by placing the burden of fighting it only on a few.

E

~~business~~

I am asking ~~the~~ American workers to follow the example of Federal workers and accept a lower rate of wage increase. In return, they have a right to expect a comparable ^{restraint} ~~reduction in the rate of~~ price increases for the goods and services they buy.

The Council on Wage and Price Stability recently began a series of meetings with representatives of business and of labor in major industries such as steel, automobiles, aluminum, paper, railroads, food processing, communications, lumber, and the postal service. In consultation with the private parties the Council will identify the rate at which prices, wages, and other costs have been rising in recent years, the outlook for the year ahead, and the steps that can be taken to decelerate inflation.

INSERT *E. Schultz*.

Let me be blunt about this point. ^A Our national interest simply cannot withstand unreasonable increases in prices and wages. It is my responsibility to ~~defend our national interest, and I will~~ speak out firmly and clearly when the welfare of our people is at stake.

INSERT Z

~~I repeat that~~ ^{One} of the most important contributions they can make is to show that restraint applies to everyone in -- ~~their industries~~, not just themen and women on the assemblyline, but also the managers in the executive suites. Just as I will ~~free~~ ^{freeze} the pay of the top executives in the federal government, ~~I expect~~ and the American people ^{will} expect ~~tt~~ similar restraint from the leaders of American business _x and labor.

I now call on business and labor to come forward with specific steps they plan to take to back up the efforts I have mentioned today.

Members of my Administration have already discussed this deceleration program with a number of leaders of business and industry. They have promised their cooperation; ^{later I expect to} ~~and I will meet with them~~

business
and
labor

leaders

~~next week~~ to discuss contributions that they can make

to help slow the rate of inflation. ^{INSERT 2}

~~We have also discussed our program with leaders of organized labor, whose participation is crucial.~~

Later I expect to meet with them personally to discuss ^{restraint in} future wage increases.

I am determined to devote the power of my office toward the objective of reduced inflation. ^(X) Our approach must be flexible enough to account for the variations in our complex economy -- but it must be comprehensive enough to cover most of the activities of our economy. ~~[We must anticipate developments, and~~
^{must} ~~not simply react to crises.]~~

In the long run, we should develop special programs to deal with sectors of the economy where government actions have the greatest^t potential for reducing inflation. These include housing, medical care, food, transportation, energy, and the primary metals industries. ~~I have instructed~~ ^The members of my Cabinet ^{will} to work individually and with the Council on Wage and Price Stability to develop and to announce early action to reduce inflation ^{within} ~~in~~ their own areas of responsibility.

Reducing the inflation rate will not be easy and it will not come overnight. ~~It will happen only if we find within ourselves qualities that are a basic part of our national character, but which we have neglected for some time.~~

~~SECRET~~

END

We must admit to ourselves that we will never
cope successfully with this challenge until we face
some unpleasant facts about our problems, about the
solutions, and about ourselves.

The problems ~~our nation faces~~^{of} in this generation
are, in a way, more difficult ~~to grapple with~~ than those
of a generation before. We face no ~~outside aggressor,~~^{threat of foreign invasion,}
~~And sharply focused crisis or threat which~~
~~who might make us forget our differences. There is no~~
~~single unifying threat to make us all~~^{and} rally to the defense
of the common good.

We all want something to be done about our problems --
except when the solutions affect us. We want to con-
serve energy, but not to change our ~~habits~~^{wasteful}. We favor
sacrifice, as long as others go first. We denounce special
interests, except for our own.

We want to abolish
tax loopholes — unless
it's our loophole.

~~The cold, plain fact is that as long as this attitude~~
~~blinds us to the larger good of our nation, we will~~
~~be mastered by the challenges we face in this genera-~~
~~tion, rather than mastering them.~~ No Act of Congress,
no program of our government, no order of my own can
bring out the qualities that we need: ~~That requires~~
~~to~~
~~a~~ change from the preoccupation with self that can
cripple our national will, to a willingness to acknow-
~~ledge~~ ^{and to sacrifice for} the common good.

^{addressed these words to our nation}
~~The words that~~ Walter Lippman ^{wrote} nearly forty
years ago: As the nation prepared for the challenge
of war, apply to our challenges as well
~~us now.~~

My President —
[] You

"You took the good things for granted," he said. "Now

[] you

you must earn them again. It is written: for every right

[] that you cherish, you have a duty which you must fulfill.

[] For every hope that you entertain, you have a task you

^{we can put them in brackets in the transcript}

~~[unc]~~
must perform. For every good that you wish could happen ...

~~[unc]~~ ~~[unc]~~
you will have to sacrifice your comfort and ease. There

is nothing for nothing any longer."

of admonition
These words [^] apply to us now.

#

THE WHITE HOUSE
WASHINGTON
April 12, 1978

Zbig Brzezinski

The attached letters were returned in the President's outbox today and are forwarded to you for your information. The signed originals have been given to Frank Moore for delivery.

Rick Hutcheson

cc: Frank Moore

RE: STATE DEPARTMENT REPORT CONCERNING
HUMAN RIGHTS POLICY AND THE IFI'S

~~CONFIDENTIAL~~

MEMORANDUM

1801

THE WHITE HOUSE
WASHINGTON

CONFIDENTIAL - GDS

C

ACTION

MEMORANDUM FOR: THE PRESIDENT
FROM: ZBIGNIEW BRZEZINSKI *28.*
SUBJECT: State Department Report Concerning
Human Rights Policy and the IFIs

Attached at Tab I is the report you requested from State concerning our human rights policy and the IFIs. Your directive was in response to a letter given to you by Congressman Moorhead and others (Tab B). Also attached is a proposed response to the Congressmen which has been cleared by Fallows. It makes the point that a great deal of what these members find disquieting in our policy is the direct consequence of Congressional action, and urges them to work with us in trying to head off human rights restrictions on such inappropriate measures as the Witteveen facility.

RECOMMENDATION:

That you sign the letter at Tab A.

CONFIDENTIAL - GDS

Jay 5/15/20

~~CONFIDENTIAL~~

THE WHITE HOUSE

WASHINGTON

April 12, 1978

To Congressman William Moorhead

I have reviewed your letter of March 16 concerning our efforts to bring human rights considerations to bear on foreign assistance decisions. We are in agreement that it is preferable to use positive actions and normal diplomatic channels in pursuing our human rights objectives.

While consideration of so-called "sanctions" is required by several explicit federal statutes, we have employed such measures with care and moderation, and we have tried to be flexible in pursuit of our objective of improving the observance of human rights around the globe. Of more than 400 loans voted on in the IFIs since January 1977, we have voted against nine and abstained on 14 on human rights grounds. In addition, consideration of about 20 loans has been deferred; in several of these cases the deferral was only temporary. Of the hundreds of AID projects considered since January 1977, we have deferred 22 on human rights grounds. Five of these were subsequently approved. I believe that these steps were helpful in attaining real improvements in human rights, which have occurred in the world in the past year.

In each of these actions we tried conscientiously to apply existing legislation in light of the best available information on human rights conditions in the countries involved. We have also been careful to apply the "basic human needs" exception so as to permit loans and grants to go forward if our humanitarian objectives are met.

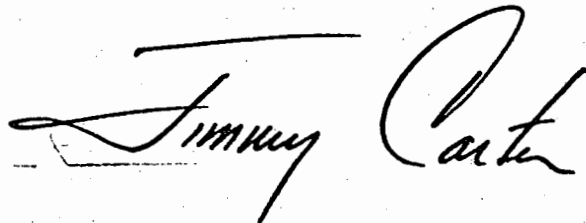
All of our actions in this area are the result of deliberations by the Interagency Group on Human Rights and Foreign Assistance. The Group was created last April to assure that our foreign assistance programs would reflect human rights concerns as required by applicable legislation. As you will recall, at the time I took office, Congress was deeply concerned that human rights had been insufficiently considered in these programs, and in part the creation of the Group was a response to that concern. I am sending along a summary of the Group's background and operations.

Our human rights policy is by no means all "sanctions." We are trying harder to direct a greater share of our bilateral and multilateral assistance to governments that respect human rights. Our concern for human rights and world development has also led us to place great emphasis on fulfilling our pledges to the international development banks and to consider with the Congress increases in the next replenishments. I hope that you and your Committee will work with us to see that our goals are fulfilled.

I would like to add that I am very concerned that Congress and the Administration work closely together to insure that inappropriate human rights provisions do not hamper such international measures as the Witteveen Facility. As you rightly point out, a human rights policy requires flexibility. I hope that you will work actively with the Administration to achieve this objective.

We will continue to keep you informed of our actions in this area. I am glad you shared your concerns with me.

Sincerely,

A handwritten signature in cursive script, reading "Jimmy Carter". The signature is written in dark ink and is positioned below the word "Sincerely,".

The Honorable
William S. Moorhead
House of Representatives
Washington, D. C. 20515

U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS

NINETY-FIFTH CONGRESS

2129 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, D.C. 20515

March 16, 1978

STEWART B. MCKINNEY, CONN.
GEORGE HANSEN, IDAHO
HENRY J. HYDE, ILL.
RICHARD KELLY, FLA.
CHARLES E. GRASSLEY, IOWA
MILICENT FENWICK, N.J.
JIM LEACH, IOWA
NEWTON I. STEERS, JR., MD.
THOMAS B. EVANS, JR., DEL.
BRUCE F. CAPUTO, N.Y.
HAROLD C. HOLLENBECK, N.J.
B. WILLIAM GREEN, ILL.

1801

cc Cy
3319
Warren
J.C.

TO: The President of the United States

During January the undersigned Members from the House Banking, Finance and Urban Affairs Committee and the Appropriations Subcommittee on Foreign Operations, visited Columbia, Argentina, Chile and Brazil. Because of our jurisdiction, the primary focus of our investigation was on the economic effectiveness of the multilateral lending agencies in which the United States participates. Specifically, in this instance, we investigated Inter-American Development Bank projects.

However, because the issue of human rights has been inserted into the operation of multilateral lending agencies we examined, in depth, this aspect of their operations.

The Delegation unanimously agrees that the United States should continue through Presidential proclamations and other official statements to pursue its human rights philosophy and do its best to convince other nations of the benefits that ensue from such a philosophical position. Most, if not all, of the Members of this Delegation supported the human rights amendment when multilateral development lending legislation was pending before the Congress last year.

The Delegation, however, believes that in practice the Presidential and Congressional directives have been too rigidly applied. We concluded that overly rigid application of human rights positions by economic sanctions through multilateral agencies are not effective and are probably counterproductive.

The view was expressed by all United States officials in the countries we visited. The view was also expressed that the "Christopher Committee" did not adequately use the input from our diplomats in the countries affected, nor properly carry out the mandate established by Congress regarding the human rights issue.

In addition, President Oduber of Costa Rica, whom we visited after our inspection tour of the above countries, and whose country has no human rights problems, expressed the view that our use of economic sanctions in human rights situations was too heavy handed and rigid and that we could accomplish more by policies which are subtler and more flexible. We agree with President Oduber's observations.

As we expected, officials of the four South American countries we visited objected to any form of human rights pressure exerted by the United States.

However, and more significantly, the people of the countries we visited seem to believe that moral suasion and the power of world opinion were more effective in achieving progress toward human rights than economic sanctions imposed indirectly by the United States through its participation in multilateral lending institutions and directly by the United States through its bilateral aid and/or military sales and credit programs.

For example, in Argentina, which has, perhaps, the most overt and flagrant program of abuse of human rights, we met with three human rights groups. The repeated refrain was, "Don't use economic sanctions against our country." The most thoroughly genuine of those three groups was called the Mothers of Plaza del Mayo. This group represents women whose husbands, sons and daughters have been arrested and who cannot get information as to whether their relatives are alive or dead and, if alive, where they are being held. Even this group favored moral suasion over economic sanctions.

Mr. President, we support your policy statements on human rights. We think the Congress may have overreacted in attempting to put these statements of principle into legislative form, but we know this legislation contains several conditions which do permit flexible administration. We believe that the Department of State has overreacted to expressions from the President and the Congress in a way that is not only detrimental to the United States but also to the people about whose human rights we are concerned.

Mr. President, this Delegation was one of the largest to visit South America in recent years. We hope that you will take our views into account. When you visit South America, we hope you will take the opportunity to test the conclusion we have reached.

Mr. President, although the main thrust of this letter deals with the human rights question in South America, as viewed by the United States, we spent a considerable amount of time investigating IDB projects and talking to IDB, U.S. and local officials concerning the activities of the IDB in those countries visited. Our overall impressions from talking to recipients of IDB programs and officials is that the IDB deserves our continuing support.

In conclusion, if there was one constant theme in every country we visited, it was the great respect and even affection for the United States that was manifested by nearly everyone we encountered.

Respectfully yours,

William S. Moorhead, (Pa.)
Joseph G. Minish, (N.J.)
John J. LaFalce, (N.Y.)
Charles Wilson, (Tex.)

J. William Stanton, (Ohio)
Garry Brown, (Mich.)
Henry J. Hyde, (Ill.)

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

12 April 1978

TO: THE PRESIDENT
FROM: RICK HUTCHESON *7.2*
SUBJECT: Memos Not Submitted

1. SECRETARY CALIFANO sent you a copy of an anti-inflation statement he made today. The statement stresses that passing the Hospital Cost Containment legislation is one of the most important things Congress can do to reduce inflation. The statement also lists a number of administrative measures HEW will undertake to hold down inflationary health care costs. ✓
2. PETER BOURNE sent you a report on International Narcotics Control Policy, prepared by an interagency group under the auspices of the Office of Drug Abuse Policy.

"The report proposes policies (1) to encourage the substitution of narcotics producing crops with other agricultural commodities; (2) to actively engage in the worldwide reduction in the demand for illicit drugs; and (3) to increasingly look to international organizations to achieve many of these objectives." These recommendations "will be incorporated in the 1978 Federal Strategy to be prepared by the Strategy Council on Drug Abuse." ✓



THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE
WASHINGTON, D. C. 20201

April 12, 1978

FOR THE PRESIDENT

FROM JOE CALIFANO

Enclosed is a copy of the anti-inflation program in the health area which we announced this morning as part of your anti-inflation program.

Attachment

given to Jack Watson

THE WHITE HOUSE

WASHINGTON

Date: March 31, 1978

MEMORANDUM

FOR ACTION:

Stu Eizenstat
Zbig Brzezinski

nc
-outstanding

FOR INFORMATION:

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Peter Bourne report re International Narcotics
Control Policy

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: Noon

DAY: Thursday

DATE: April 6

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☐ I concur.

Please note other comments below:

☐ No comment.

for summary

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

THE WHITE HOUSE

WASHINGTON

March 31, 1978

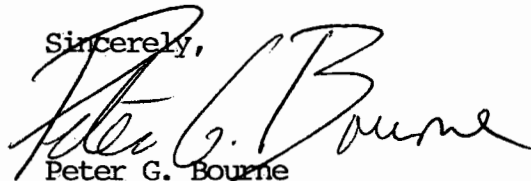
Dear Mr. President:

I am pleased to forward to you the report on International Narcotics Control Policy which is one of the several drug policy reviews conducted at your request. The review was conducted by the Office of Drug Abuse Policy with the assistance of an interagency working group drawn from the Departments of State, Treasury, Justice, Defense, Health, Education, and Welfare, Agriculture, the Central Intelligence Agency, the Drug Enforcement Administration and the U. S. Customs Service.

The report proposes policies (1) to encourage the substitution of narcotics producing crops with other agricultural commodities; (2) to actively engage in the worldwide reduction in the demand for illicit drugs; and (3) to increasingly look to international organizations to achieve many of these objectives. These and other recommendations pertaining to better management of U. S. efforts in the control of narcotics overseas will assist in achieving the objectives outlined in your Message to the Congress of last August on drug abuse and will be incorporated in the 1978 Federal Strategy to be prepared by the Strategy Council on Drug Abuse.

Your continued interest in and dedication to our international narcotics control effort is appreciated.

Sincerely,

A handwritten signature in dark ink, appearing to read "Peter G. Bourne", is written over the typed name.

Peter G. Bourne
Director

Office of Drug Abuse Policy

INTERNATIONAL NARCOTICS CONTROL POLICY REVIEW

EXECUTIVE SUMMARY

As the world becomes increasingly pluralistic and the interdependencies of nations become more numerous and more sensitive, we find that many of our most important problems are no longer clearly "domestic" or "foreign." The domestic U.S. drug abuse problem has always had international implications in that many of the serious drugs of abuse originate in foreign countries. This report examines current U.S. international drug control policies and proposes several initiatives designed to further improve efforts to reduce the illicit supply and demand for drugs.

International conventions and treaties have recognized the international implications of the drug abuse problem since The Hague Opium Convention of 1912. To enhance these international efforts, the United States assigned law enforcement personnel abroad in the late 1930's to work with host countries in stemming the flow of opium, its derivatives and cocaine into this country. While enforcement measures directed against the illicit traffic involve a great number of foreign police and customs officers and have achieved notable successes, further significant control of illicit drugs calls for an increased emphasis on three other broad but interrelated areas: (1) the reduction of supply through the curtailment of opium poppy and coca bush cultivation; (2) the initiation of international programs to reduce the demand for drugs; and (3) the increased use of international organizations to encourage, plan and finance these measures with foreign governments.

The strict control measures imposed by the Government of Turkey and the poppy eradication program enforced by the Government of Mexico have been effective in reducing the supply of opium and heroin available for the worldwide illicit market. However, the potential for an increased cultivation of the opium poppy and the coca bush in other parts of the world cannot be ignored. Enforcement actions alone can never be completely effective when pitted against an unlimited production of raw materials. Consequently the report recommends that the United States place an increased emphasis on income substitution programs to reduce or eliminate the dependency of certain farmers on poppy, coca and cannabis cultivation. Large scale efforts will require firm development planning and resource commitment by the producing country, together with financial and technical assistance from international organizations, international financial institutions and interested countries. Income substitution programs are, of necessity, long term, in that they involve major economic and social change, and must be accompanied by strong enforcement measures to be effective.

The production and supply of illicit narcotics and psychotropic drugs are, to a significant degree, a function of demand for without drug consumption, there would be no incentive to produce and little profit in trafficking. The importance of demand reduction as part of a balanced international drug control program should be emphasized as a means of convincing other governments of the immediacy and seriousness of the worldwide drug abuse problem. The increasing illicit use of drugs in other countries supports the need for strong and forceful international action. The fact that assistance from international organizations is often more welcome by some nations than bilateral aid led to the recommendation that the U.S. increasingly look to United Nations agencies and regional organizations to focus world attention on continued production and trafficking practices and to assist in financing international narcotics control programs.

The report recommends initiatives to (1) reduce supply by (a) seeking international commitments and financial support for projects to reduce poppy and coca cultivation, (b) in developing measures to improve an attack on the financial aspects of trafficking and procedures for arrest and prosecution of offenders overseas through further mutual assistance and extradition treaties; (2) reduce demand through (a) providing greater assistance to foreign governments in developing demand reduction programs, (b) reviewing drug treatment services provided to U.S. citizens abroad; (3) exploring the feasibility of greater use of regional efforts to control drug trafficking and abuse; (4) developing specific Narcotics Action Plans for countries affected by the supply of and/or demand for drugs; (5) assessing the scope of the drug control problem through a comprehensive compilation of all existing data; and (6) improving the conduct of U.S. overseas programs through (a) systematic communication of drug-related policies to key embassies and missions, (b) developing an improved DEA foreign personnel system, (c) evaluating U.S. training programs provided foreign drug control personnel, and (d) sensitizing narcotics control personnel to demand reduction techniques and opportunities.

The implementation of these recommendations will be the responsibility of those departments and agencies primarily accountable for the areas addressed in the report. The Drug Abuse Policy office and the Special Assistant to the President for Health Issues will monitor the implementation process and present periodic program reports to the President.

THE WHITE HOUSE
WASHINGTON

NSC COMMENT:

Bourne's memo on Narcotic Policy

To the extent that the U.S. itself is a major source of demand, the initiatives recommended in the report should include: coordination of international initiatives with the implementation of demand-reducing domestic U.S. programs

THE WHITE HOUSE

WASHINGTON

Gutierrez

MEMORANDUM

Date: March 31, 1978

FOR ACTION:

Stu Eizenstat
Zbig Brzezinski

FOR INFORMATION:

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Peter Bourne report re International Narcotics
Control Policy

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: Noon

DAY: Thursday

DATE: April 6

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☒ I concur.

Stu Eizenstat ✓ ☐ No comment.

Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.



Office of Drug Abuse Policy

International
Narcotics Control
Policy

March 1978

INTERNATIONAL NARCOTICS CONTROL POLICY

- AN INTERAGENCY REVIEW -

March 1978

THE OFFICE OF DRUG ABUSE POLICY

THE EXECUTIVE OFFICE OF THE PRESIDENT

THE WHITE HOUSE

WASHINGTON

March 31, 1978

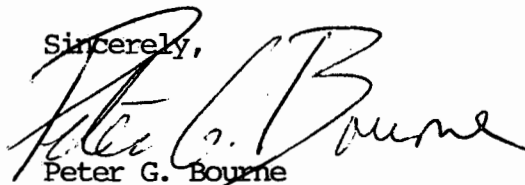
Dear Mr. President:

I am pleased to forward to you the report on International Narcotics Control Policy which is one of the several drug policy reviews conducted at your request. The review was conducted by the Office of Drug Abuse Policy with the assistance of an interagency working group drawn from the Departments of State, Treasury, Justice, Defense, Health, Education, and Welfare, Agriculture, the Central Intelligence Agency, the Drug Enforcement Administration and the U. S. Customs Service.

The report proposes policies (1) to encourage the substitution of narcotics producing crops with other agricultural commodities; (2) to actively engage in the worldwide reduction in the demand for illicit drugs; and (3) to increasingly look to international organizations to achieve many of these objectives. These and other recommendations pertaining to better management of U. S. efforts in the control of narcotics overseas will assist in achieving the objectives outlined in your Message to the Congress of last August on drug abuse and will be incorporated in the 1978 Federal Strategy to be prepared by the Strategy Council on Drug Abuse.

Your continued interest in and dedication to our international narcotics control effort is appreciated.

Sincerely,

A large, stylized handwritten signature in dark ink, appearing to read "Peter G. Bourne".

Peter G. Bourne

Director

Office of Drug Abuse Policy

PREFACE

This review of the U.S. international narcotics control policy was initiated under the auspices of the White House Office of Drug Abuse Policy (ODAP) in early November 1977. Taken together, this report and the ODAP studies on Border Management, Drug Law Enforcement, Narcotics Intelligence, Regulatory and Compliance, and Drug Use Patterns, will be the basis for future deliberations of the Strategy Council on Drug Abuse and the Domestic Policy Staff and thus enable the Federal Government to proceed with renewed resolve to reduce drug abuse.

The review was undertaken by a team of representatives (see Appendix 1) from the following Federal agencies and departments: the Departments of State; Justice; Treasury; Defense; Agriculture; Health, Education, and Welfare; the Drug Enforcement Administration; the U.S. Customs Service; the National Institute of Drug Abuse and the Central Intelligence Agency. A sincere appreciation is extended to all of the individuals from these agencies and departments for without their expertise and professionalism this report could not have been possible.

INTERNATIONAL NARCOTICS CONTROL POLICY REVIEW

EXECUTIVE SUMMARY

As the world becomes increasingly pluralistic and the interdependencies of nations become more numerous and more sensitive, we find that many of our most important problems are no longer clearly "domestic" or "foreign." The domestic U.S. drug abuse problem has always had international implications in that many of the serious drugs of abuse originate in foreign countries. This report examines current U.S. international drug control policies and proposes several initiatives designed to further improve efforts to reduce the illicit supply and demand for drugs.

International conventions and treaties have recognized the international implications of the drug abuse problem since The Hague Opium Convention of 1912. To enhance these international efforts, the United States assigned law enforcement personnel abroad in the late 1930's to work with host countries in stemming the flow of opium, its derivatives and cocaine into this country. While enforcement measures directed against the illicit traffic involve a great number of foreign police and customs officers and have achieved notable successes, further significant control of illicit drugs calls for an increased emphasis on three other broad but interrelated areas: (1) the reduction of supply through the curtailment of opium poppy and coca bush cultivation; (2) the initiation of international programs to reduce the demand for drugs; and (3) the increased use of international organizations to encourage, plan and finance these measures with foreign governments.

The strict control measures imposed by the Government of Turkey and the poppy eradication program enforced by the Government of Mexico have been effective in reducing the supply of opium and heroin available for the worldwide illicit market. However, the potential for an increased cultivation of the opium poppy and the coca bush in other parts of the world cannot be ignored. Enforcement actions alone can never be completely effective when pitted against an unlimited production of raw materials. Consequently the report recommends that the United States place an increased emphasis on income substitution programs to reduce or eliminate the dependency of certain farmers on poppy, coca and cannabis cultivation. Large scale efforts will require firm development planning and resource commitment by the producing country, together with financial and technical assistance from international organizations, international financial institutions and interested countries. Income substitution programs are, of necessity, long term, in that they involve major economic and social change, and must be accompanied by strong enforcement measures to be effective.

The production and supply of illicit narcotics and psychotropic drugs are, to a significant degree, a function of demand for without drug consumption, there would be no incentive to produce and little profit in trafficking. The importance of demand reduction as part of a balanced international drug control program should be emphasized as a means of convincing other governments of the immediacy and seriousness of the worldwide drug abuse problem. The increasing illicit use of drugs in other countries supports the need for strong and forceful international action. The fact that assistance from international organizations is often more welcome by some nations than bilateral aid led to the recommendation that the U.S. increasingly look to United Nations agencies and regional organizations to focus world attention on continued production and trafficking practices and to assist in financing international narcotics control programs.

The report recommends initiatives to (1) reduce supply by (a) seeking international commitments and financial support for projects to reduce poppy and coca cultivation, (b) in developing measures to improve an attack on the financial aspects of trafficking and procedures for arrest and prosecution of offenders overseas through further mutual assistance and extradition treaties; (2) reduce demand through (a) providing greater assistance to foreign governments in developing demand reduction programs, (b) reviewing drug treatment services provided to U.S. citizens abroad; (3) exploring the feasibility of greater use of regional efforts to control drug trafficking and abuse; (4) developing specific Narcotics Action Plans for countries affected by the supply of and/or demand for drugs; (5) assessing the scope of the drug control problem through a comprehensive compilation of all existing data; and (6) improving the conduct of U.S. overseas programs through (a) systematic communication of drug-related policies to key embassies and missions, (b) developing an improved DEA foreign personnel system, (c) evaluating U.S. training programs provided foreign drug control personnel, and (d) sensitizing narcotics control personnel to demand reduction techniques and opportunities.

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INTERNATIONAL NARCOTICS CONTROL POLICY REVIEW

I. INTRODUCTION

As the world becomes increasingly pluralistic and the interdependencies of nations become more numerous and more sensitive, we find that many of our most important problems are no longer clearly "domestic" or "foreign." Energy shortages, trade deficits, and agricultural prices, for example are inextricably related to foreign considerations and domestic policy to deal with such problems is interwoven in their solution.

The domestic U.S. drug problem has always had international implications in that many of the serious drugs of abuse originate in foreign countries. It has long been recognized that the effective curtailment of trafficking in illegal substances depends heavily on control being exerted as closely as possible to the source. Once the illegal substances have reached our 96,000-mile border, or have been distributed in the U.S. or in another non-source country, control becomes a massive problem for law enforcement. Thus, the burden on the U.S. domestic law enforcement agencies can be significantly reduced to the extent that foreign governments are capable and willing to control drug production and/or trafficking within their own countries.

However, it is not enough that the objective be to reduce only the supply. A demand out of control implies fearsome consequences to the social system of any country and makes far more difficult the task of reducing supply. To the extent that demand for illicit drugs can be reduced, so will the incentive to produce be diminished and thus will income substitution programs backed up by enforcement operations be more effective. Endorsing this interdependency in his August 2, 1977, Drug Abuse Message to the Congress, the President stated:

"Drug addiction, which in recent years was viewed as a problem peculiar to America, now affects people throughout the world. We can no longer concern ourselves with merely keeping illicit drugs out of the United States, but we must join with other nations to deal with this global problem by combatting drug traffickers and sharing our knowledge and resources to help treat addiction wherever it occurs."

This report will look to ways in which our U.S. international drug control policy can accomplish this dual objective.

In the past three years, the United States and many foreign countries have gone beyond the findings of the White Paper* which stated that "in many countries drug abuse is still seen as principally an American problem." Though this may still hold true in certain parts of the world, the foreign efforts of many U.S. agencies and the efforts of certain international organizations have significantly contributed to an awareness by foreign governments of their own drug abuse problem. Due to both increased addiction rates and a willingness to openly face long term problems, foreign governments, together with the United States, have officially recognized the widespread ramifications of drug cultivation, production, trafficking and consumption.

Historically, the approach to the international narcotics problem has been one that focused primarily on investigations of trafficking and the interdiction of existing drug supplies. More recently, the eradication or replacement of illicit drug production has assumed greater importance. A complementary way to address this issue has developed in the past three years and consequently deserves proper consideration in formulating our international drug control policy. The production and supply of drugs are, to a significant degree, a function of demand. Without drug consumption there would be little incentive to produce and little profit in trafficking. Thus, it can be argued that the economic dynamics of international drug trafficking, and hence of international drug control, are linked inextricably with drug consumption. By the same reasoning, it follows that if drug consumption can be reduced, there will be inevitable economic repercussions in the drug production system itself, thereby making the system more vulnerable to income substitution measures and enforcement activities.

Drug dependency by a citizenry in a foreign country can have the same weakening effects on that nation's society and economy as it can on ours. An active program of assistance to such a country in reducing its drug dependency is not only important from a humane point of view, but it also is consistent with our other domestic objectives. The drug traffic also produces vast sums of untaxed money which support the criminal community, corrupt officials and can even support insurrections. Crops which produce illicit drugs are planted in lieu of food products and economic development is stultified by a production system dependent on clandestine operations that is a sovereignty unto itself.

* White Paper on Drug Abuse, September 1975; A Report to the President from the Domestic Council Drug Abuse Task Force.

Our policies now should be structured to provide increased emphasis on developing viable demand reduction programs and attacking the supply side through agricultural development programs -- to the extent each is successful, enforcement efforts can be more effective.

II. SCOPE OF THE PROBLEM

To fully understand the scope of the international narcotics problem and our efforts to deal with it, it is important to briefly consider the worldwide drug production and consumption capabilities for opium/heroin and cocaine. The information available on other drugs of abuse, such as marihuana, hashish and the psychotropic substances, does not lend itself, at this time, to such analysis. Historically, the primary U.S. effort to reduce supplies and demand has focused on opium and its derivatives and cocaine. Thus, more information is available on the illicit production, use and trafficking in these commodities than on marihuana and the psychotropic substances. These latter substances are still a significant factor in the total drug problem and the inclusion of information on them should be a part of any systematic data collection process developed for production, use and trafficking in all illicit drugs.

In this review it is important to also bear in mind that there are no precise means of measuring the international narcotics problem. The concerted effort of the U.S. and other governments in conjunction with international organizations to exploit the accumulated knowledge of specialists in narcotics enforcement, drug rehabilitation and prevention, and narcotics control has brought about an increase in information on the illicit narcotics traffic. Nonetheless, the information is still not sufficient to allow accurate measurements of worldwide illicit drug production, consumption and distribution. Furthermore, the variables which one must consider (e.g., climatological effects, political factors, reporting methods, etc.) in determining any figures far exceed the limits of our present capability and consequently, at best, only support a wide range of estimates. The production and consumption figures presented here represent estimates only but are currently the best available information based on current collection capabilities.

(1) Opium/Heroin

The elimination of opium poppy (papaver somniferum) cultivation is considered to be one of the major means of suppressing the illicit heroin traffic. The opium poppy, however, is not cultivated solely for use in heroin production; a sizeable portion of the world's population still consumes the product of the poppy in such other forms as codeine, morphine, poppy oil extract and poppy seeds. Opium smoking and eating are still prevalent in many parts of the world, sometimes used in primitive health facilities to alleviate physical pain and sometimes as part of long-standing social customs or religious rites.

Essentially there are two separate and distinct major markets for opium -- the licit and illicit. The licit market is geared to world demand for opium for use in manufacturing medicinal opiates. Annually, the International Narcotics Control Board (INCB) attempts to determine the licit production figures from estimates and statistics provided by those countries which legally grow opium poppies as permitted by the Single Convention on Narcotic Drugs of 1961. During the past decade foreign governments have increasingly adopted the poppy straw harvesting method which yields morphine instead of opium, to facilitate control over drug production and distribution. Governments are under no obligation to furnish to the INCB statistics on poppy straw production or stocks, as required for opium under the 1961 Convention. The INCB, however, does report the world supply of raw materials for the licit manufacture of opiates as reported voluntarily by governments throughout the world. In 1976, 1,177 tons of opium were produced by India and 30,736 tons of poppy straw were processed for the licit market primarily by Australia, France, India and Turkey

The illicit market is much more complex. Broad estimates from the U.N., the United States, and foreign governments suggest that approximately 1,030 metric tons of opium were produced illicitly in 1976, primarily in the following countries: Afghanistan, Burma, Laos, Mexico, Pakistan and Thailand.

ESTIMATED ILLICIT OPIUM/HEROIN PRODUCTION AND CONSUMPTION CAPABILITIES (METRIC TONS)				
Geographic Area	OPIUM		HEROIN	
	Production	Consumption/ Distribution	Production	Consumption/ Distribution
Southeast Asia (Burma, Laos, Thailand)	500	200 (local) 10 (Hong Kong, Malaysia, and other parts of world)	29	20 (Asia) 9 (U.S., Europe and Australia)
Mexico	40	Minimal	4	4 (U.S. ^{1/})
Pakistan	200	175 (local) 24.5 (Iran and India) 0.5 (Europe and Hong Kong)	Unknown	Unknown
Afghanistan	290	112 (local) 175 (Iran) 2.5 (Mid East and Europe)	Unknown	Unknown
Iran	2/	5 Allegedly diverted-Sri Lanka, SE Asia and Arabian peninsula)	Unknown	Unknown
India	3/	3/	None	None

1/ Believed to supply 2/3 of the requirements of 1/2 million less-than-daily heroin users within the United States

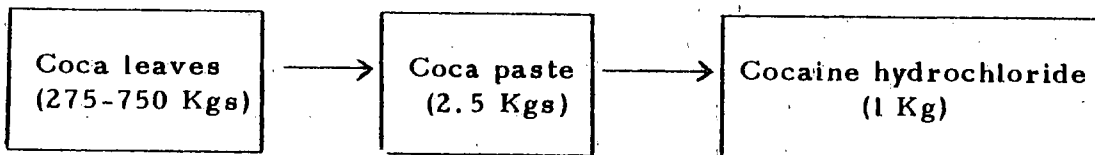
2/ All production is licit.

3/ Based on some reports there may be as much as 10 percent leakage from the licit opium production.

(2) Cocaine

Unlike opium poppy cultivation, coca bush growth is narrowly limited geographically. The coca leaves are grown almost exclusively in Bolivia and Peru while the processing into cocaine hydrochloride is believed to take place mainly in Colombia and on a small scale in Ecuador. Coca production does occur in other South American countries and in other parts of the world; however, this production and any diversion of pharmaceutical cocaine are minimal compared to the quantity produced in Peru and Bolivia.

Depending on such variables as cocaine alkaloid content, extraction efficiency and personal expertise, the following diagram shows the approximate conversion ratios:



Broad estimates from the U.N., the U.S. and foreign governments indicate that approximately 63 metric tons of cocaine were available in 1976 for the worldwide illicit market. The following table shows the estimated amounts of coca leaves and cocaine produced and distributed worldwide in 1976.

<u>ESTIMATED 1976 COCA AND COCAINE PRODUCTION</u> <u>Peru and Bolivia</u>	
Acreage Potential coca leaf production Coca leaf consumption Legitimate export	45,000 hectares (111,150 acres) 55,000 metric tons 22,645 metric tons (masticators and local use) 836 metric tons
Available for conversion (rounded) Coca paste production (under ideal circumstances) Potential cocaine hydrochloride production (under ideal circumstances)	31,500 metric tons 157 metric tons 63 metric tons
Potential cocaine lost or never produced because of crude laboratory methods Consumed outside U.S. Seized worldwide	41-31 metric tons 5-10 metric tons 2 metric tons
Available for illicit U. S. market	15-20 metric tons

Findings and Conclusions

While these and the opium/heroin figures were arrived at through a complex processing of the most valid and up-to-date information available, their tentative nature and the current discrepancies in them do not allow for an accurate assessment of the narcotics control problem or an adequate measure of the results of the efforts to deal with them.

Recommendations

- The Strategy Council on Drug Abuse should direct a study on the best means of assembling and validating the wealth of supply and demand statistics maintained by the U.S. and international organizations in the area of narcotics control and adopt procedures for systematic reporting, analysis and publication of this data.

III. NARCOTICS POLICY IN THE CONTEXT OF U.S. FOREIGN POLICY

A. BACKGROUND

Narcotics control considerations have played a fluctuating role in foreign policy since the early years of this century, when opium and heroin abuse first became a major national concern. By 1900, the addict population in the U.S. was approximately 250,000. The Department of State at that time assumed the leadership of the domestic and international narcotics movement, largely because the drugs themselves -- opium, heroin, cocaine and marihuana -- originated in foreign countries. Pursuant to proposals made in 1906 by the United States Government, the first International Opium Commission convened in Shanghai in 1909. In 1912, an international conference was convened at The Hague which adopted The Hague Opium Convention whereby for the first time parties were requested to subject the preparation and distribution of medicinal opiates and cocaine to domestic controls. Over the ensuing 65 years closer international cooperation and stronger controls over drugs have evolved within the framework of a number of multilateral treaties.

Narcotics control has continued to play a role in foreign policy although the degree of activity has varied through the decades. By the late 1960's drug abuse again became a national concern, generating intense political response at all levels of government. Not only were unprecedented numbers of young people experimenting with a wide range of mood-altering drugs, such as marihuana, amphetamines, and LSD, but large numbers of U.S. military personnel serving in Southeast Asia were also becoming addicted to heroin, which was readily available at low prices. Heroin abuse in the United States also rose dramatically, the number of addicts increasing from an estimated 50,000 at the beginning of the 1960's to 500,000 ten years later.

In response to this rapid expansion of illicit drug use, the White House placed an increased priority on efforts to curtail drug supply. In 1969, the Department of State began to give concerted attention to the threat posed by the flow into the United States of narcotics of foreign origin and a separate office was created under a Special Assistant to the Secretary of State for Narcotics Matters. On August 17, 1971, President Nixon established the Cabinet Committee on International Narcotics Control (CCINC), because, in the President's words, "it is imperative that the illicit flow of narcotics and dangerous drugs into this country be stopped as soon as possible." The committee was chaired by the Secretary of State and other members included the Attorney General,

The Secretaries of Treasury, Defense, Agriculture, the Ambassador to the U.N., and the Director of Central Intelligence. The Cabinet Committee met five times in 1971-73 to determine overall policy, and to act on recommendations from the Working Group which had been established to staff the Committee. This group was composed of agency representatives at the assistant secretary level, the Director of the Special Action Office for Drug Abuse Prevention, a representative of the National Security Council and was chaired by the Secretary of State's principal assistant for narcotics matters.

In conjunction with the establishment of the CCINC the Senior Advisor for International Narcotics Matters replaced the Special Assistant and was accorded assistant secretarial rank to bring narcotics control considerations to bear systematically on the development of foreign policy. As the Secretary's designee, the Senior Advisor who chaired the CCINC Working Group was given authority to coordinate the programs and policies of the various CCINC agencies and offices involved in the international narcotics control effort, primarily the Bureau of Narcotics and Dangerous Drugs, one of the agencies which was merged to form the Drug Enforcement Administration; Customs; the United States Department of Agriculture; and the Special Action Office for Drug Abuse Prevention, the forerunner of the National Institute of Drug Abuse. On November 17, 1973, the Secretary further delegated to the Senior Advisor the responsibility for administering the international narcotics control program funded under Foreign Assistance Act legislation. This program provided technical assistance, equipment, supplies and training to key producing and trafficking countries.

The CCINC Coordinating Subcommittee dealt with policy matters affecting the program which required interagency consultation and review. It also assigned particular tasks to functional and regional subcommittees attached to it. In March 1977, the Cabinet Committee and its subordinate entities were dissolved. Coordination was then achieved by the Office of Drug Abuse Policy (ODAP) and through regular meetings of the principal officials of the agencies with the Director of ODAP, the President's Special Assistant for Health Issues.

B. CURRENT INITIATIVES

President Carter has given the International Narcotics Control Program a very high priority, directing the Secretary of State, in his drug abuse message of August 2, 1977, to improve and strengthen this ongoing effort. The message identified the importance of

working with other nations bilaterally and through international agencies to combat the threat to the entire world posed by drug abuse and the illicit traffic. U.S. cooperation with other nations is central to the present Administration's approach to drug control.

Objectives

The primary goal of the international narcotics control effort is to curtail the flow of illicit drugs coming into the United States. The Department of State actively promotes and participates in bilateral and multilateral cooperative initiatives to reduce illicit drug production and trafficking, support demand reduction activities, and assist drug producing or transiting nations to strengthen their narcotics control efforts.

At present ten countries are viewed as the major sources of narcotic drugs abused in the U.S.: Burma, Laos, Mexico and Thailand (countries in which significant amounts of opium are grown and traffickers manufacture heroin in illicit laboratories), Bolivia and Peru (the major coca producing countries), and Ecuador and Colombia (the major processing and transiting areas for the cocaine traffic to the U.S.). In addition, Afghanistan and Pakistan are of increasing importance because large quantities of opium are harvested annually in areas outside effective government control. At the present time, most of the opium production in the South Asian countries is consumed within the region. However, there exists the potential for a massive impact on the U.S. and other markets. In fact, there are indications of increasingly large amounts of South Asian opiates reaching Europe compared to past years.

As a consequence, nine of these ten countries* are priority targets for our foreign policy endeavors to encourage cooperation in effective programs to reduce the supply of illicit drugs entering the world market. In addition, Malaysia is a key heroin transiting and manufacturing country where U.S. assistance supports effective host government anti-narcotics action.

In conjunction with the Office of Drug Abuse Policy and other concerned agencies, the Senior Advisor on Narcotics Matters (S/NM) has been evaluating the complex and difficult issues involved in developing an effective, coherent international strategy towards illicit drug production and traffic. Because of its devastating impact on the health and welfare of our society, heroin is the primary narcotic of concern. The goal of the international program

* Laos is seeking multilateral assistance.

is to work with other governments to reduce illicit opium production, destroy heroin refining laboratories, and disrupt international trafficking networks.

Use of cocaine is increasing rapidly and presents a potential public health threat to the United States, the full extent of which is not completely understood. It would appear that health and social problems may increase dramatically as cocaine use increases and the deviant behavior of users poses a significant concern to society.

From the international perspective, the deleterious effects of the illicit drug traffic are immense. As President Carter noted in his drug message, "the enormous profits generated by the illicit drug traffic distort the economies of many smaller countries, aggravating inflation and draining tax revenues; they also engender corruption and corrode political stability." The objectives of our international strategy are: to reduce the availability of the drugs which provide the greatest financial incentive and support for the trafficking networks derived from the large profits inherent in high unit cost commodities or those trafficked in bulk; to increase the risks of trafficking; and to maintain high prices domestically in order to discourage illicit consumption overall.

These goals do not lend themselves to simple strategies or rapid solutions: they require a complex variety of policy approaches, involving diplomatic initiatives, improved enforcement capabilities, rural development in primary drug producing areas, and reduction in worldwide demand.

Specific Initiatives

A number of initiatives have been undertaken since the Carter Administration has taken office. While some of these initiatives are new, others are refinements of ongoing activities which have either been broadened or more clearly targeted to achieve specific objectives.

Internationalizing concern for the narcotics problem has been a continuing objective of the State Department. New impetus has recently been given to this effort. Several European countries have assigned narcotics enforcement officers to their embassies in Thailand. The State Department has initiated a series of discussions with several governments particularly those in Western Europe urging them to give higher priority to narcotics control in their relations with certain producing countries. Among the

objectives of this campaign is to have other Western nations (1) inform producing countries of their concern over illicit drug production, (2) include clauses in their assistance agreements, where appropriate, to prohibit development aid which would foster poppy cultivation, (3) cooperate in developing projects in producing countries aimed at providing the farmer with viable alternatives to opium production, and (4) target developmental assistance to narcotics raw material producing areas.

The U.S. has explored with the international financial institutions (IFI's) how those institutions, as part of normal development assistance, could assist countries in identifying economic development projects which would provide farmers and others dependent on the illicit cultivation of narcotic plants with alternative economic and social opportunities. In this connection it was suggested that management assure itself that such development assistance would not contribute to illicit cultivation of narcotic plants in recipient countries. AID is including anti-opium clauses in agricultural assistance projects in poppy growing areas in Afghanistan and elsewhere. The Asian Development Bank has agreed to include such language in an agricultural project in Afghanistan. (Chapter IV D on Narcotic Crop Suppression contains an additional discussion of this initiative.)

Regional cooperation is another area now receiving greater attention. More use will be made of existing regional organizations, such as the Colombo Plan established in 1950 to promote economic and social development in South and Southeast Asia. For Latin America, plans have been drawn up for periodic joint operations aimed at promoting narcotics enforcement cooperation, particularly among the Andean countries which are principal sources for the cocaine traffic.

Attention being paid to the narcotics problem by the President and the Secretary of State will be important in achieving the commitment required of foreign political leaders if bilateral efforts are to succeed. Narcotics have been discussed with foreign heads of state and other high ranking officials by the President, Mrs. Carter, the Vice President, the Secretary of State and the President's Special Assistant for Health Issues. Their agenda and those of other high-level officials meeting with foreign leaders will continue to include a discussion of narcotics control.

Drug Related Detention of U.S. Citizens Abroad

In these discussions and in our diplomatic relations, care is taken that this government's response to the arrest of a U.S. citizen for a drug violation in a foreign country does not seem to be an improper pleading for special treatment. Such citizens are clearly subject to the narcotics laws of the host country, hence, the role of U.S. embassies and consular offices abroad is primarily but not necessarily limited to: (1) ensuring, insofar as possible, that the detainee is receiving his rights under local law as well as being accorded humane treatment under internationally accepted standards, law and treaties; (2) visiting the detainee as soon as possible after his arrest to provide assistance in selecting a local attorney and (3) contacting family and/or friends as requested by the detainee for financial or other aid.

While the U.S. Government has no basis to seek immunity for American detainees from foreign law, U.S. embassies and consulates are encouraged to see that every benefit available under local laws and customs is accorded detained Americans, including expulsion or deportation in lieu of detention. The Department of State has also urged the overseas Missions to encourage foreign governments to consider a more lenient approach to petty offenders who possess small amounts of drugs for personal use as opposed to suspected traffickers, thus reflecting the changed approach to the problem that is developing in the United States and other parts of the world. Additionally, U.S. embassies abroad are also reviewing with foreign governments their narcotics penal codes and where feasible suggesting changes that will effect desired narcotics control combined with a rational approach to those who are users and not traffickers.

A most significant development affecting American citizens imprisoned in Mexico and potentially affecting U.S. policy toward U.S. citizens arrested in other countries for narcotics violations is the treaty on the Execution of Penal Sentences, which provides for the return of the convicted American citizens to the United States to serve their sentences under more familiar living conditions. Similar reciprocal arrangements have been made for selected Mexican prisoners in the United States. Initially, approximately 220 U.S. prisoners out of a total of some 500 are expected to be eligible for transfer. The necessary implementing legislation has been enacted by the Congress and signed by the President. The exchange of instruments of ratification took place on October 31, 1977, and the treaty entered into force on November 30, 1977. Exchange of U.S. and Mexican prisoners began early in December 1977.

Supply-Demand Interrelationships

In order to obtain continuing cooperation from foreign governments in reducing the flow of illicit drugs to the United States, this country must be responsive to the problems of drug abuse which are rapidly increasing in other countries. This thrust will increase U.S. assistance in the area of demand reduction -- prevention, education, treatment, and rehabilitation -- particularly in those countries in which narcotics production and trafficking are most serious.

Domestic U.S. programs for supply and demand reduction cannot prosper without concurrent foreign policy initiatives and programs designed to achieve two objectives: the reduction of supplies abroad and encouragement to other governments to take action against drug abuse in their own countries. Just as domestic law enforcement is pursued vigorously in tandem with prevention and treatment programs, so, too, must U.S. foreign policy give priority consideration to efforts to elicit the wholehearted cooperation of key foreign governments in fostering enforcement efforts and demand reduction programs in their own countries. Indeed, it is important to note that the agencies concerned with U.S. drug control programs, NIDA, DEA and Customs, view State's international role as critical to the national effort, particularly since the reduction of the supply of illicit drugs being trafficked will be greatly enhanced by efforts made as close as possible to the initial source of cultivation or production. Moreover the cost of the program is but a fraction of that of the domestic drug control program.

The primary mechanism for overall determination of drug control policies and review of related activities is now in the White House Office of Drug Abuse Policy. After March 31st, these functions will be performed under the leadership of the President's Special Assistant for Health Issues and the Associate Director of the Domestic Policy Staff for Drug Abuse Policy. Biweekly meetings with heads of DEA, NIDA, Customs and S/NM, are held by the President's Special Assistant and in addition, the Senior Advisor frequently holds informal consultations with the principal officials of the other drug control agencies. Liaison positions for DEA, Customs and NIDA have been established in the Office of the Senior Advisor.

C. PLANNING AND PROGRAM DEVELOPMENT IN
THE DEPARTMENT OF STATE

Headquarters Level

Foreign policy formulation, direction, coordination, and supervision are the principal mandates of the Department of State. In an October 25, 1977, letter to Chiefs of Mission, the President stated clearly that "the Secretary of State has the responsibility not only for the activities of the Department of State and the Foreign Service but also, to the fullest extent permitted by law, for the overall direction, coordination and supervision of United States Government activities overseas." International narcotics control is an important part of our overall foreign policy, affecting U.S. relations with other countries as well as international organizations.

Drug abuse prevention and control has been a significant policy issue both domestically and internationally since the late 1960's with domestic aspects of the problem occupying a predominant position in our total drug programs through 1976. That was the case in terms of resources (i.e., yearly allocation of \$760 million for domestic drug control programs compared to less than \$60 million for international efforts of which the State Department programmed under \$40 million) as well as policies which have to a large extent been focused on supply reduction measures.

U.S. domestic drug priorities do not necessarily coincide with those which concern some foreign countries. To be effective in our diplomatic initiatives it is necessary to recognize that the trafficking situation in such countries may involve targets which may not necessarily coincide with our domestic priorities. During 1977 the Department of State has sought to temper domestic priorities in light of host country problems in the formulation of foreign policies and to move beyond treating the subject as solely an enforcement operation.

The new emphasis on the foreign policy aspects of the drug issue creates a framework for future efforts. The distinction between heroin and marihuana becomes irrelevant when it involves million dollar drug shipments being moved from one country to another.

The Office of the Senior Advisor (S/NM), in conjunction with the rest of the Department of State and other concerned agencies will play a central role in further expanding the narcotics foreign policy framework by weighing competing objectives, interests, and linkages on a regional and country basis. If major differences arise they will be resolved by the formal foreign policy mechanisms at the Presidential level.

International narcotics control policies are grounded upon variables which include strategic and tactical intelligence assessments from throughout the Government. Such data is used by the Department to draft policy and program guidance to its overseas Missions. This guidance is reviewed by other concerned agencies and is incorporated into country narcotics programs abroad.

Annual overseas regional conferences of Embassy narcotics coordinators (Europe, Near East, Latin America, and East Asia) help maintain program momentum in the field. At these conferences, Washington and field personnel exchange ideas and discuss informally the issues and problems of the various country programs. The conferences are structured and tailored to the needs of the geographic area concerned.

The Department of State also actively promotes and participates in bilateral and multilateral cooperative initiatives to reduce illicit drug production and trafficking and assists drug producing and/or transiting nations to strengthen their own narcotics control efforts.

Specific program review has been carried out in the past by various inspecting authorities. Inspection reports have been prepared by Foreign Service Inspectors, the Inspector General of Foreign Assistance, the General Accounting Office, and the AID Auditor General. Recently, ad hoc interagency teams have also been used, particularly in difficult and important programs of a sensitive nature where standards of performance and perhaps even host government responsibilities have only been perceived in very general terms, if at all.

Overseas Missions have the responsibility for carrying out the President's October 25, 1977, letter to Chiefs of Mission in connection with international narcotics matters as well as other U.S. policy objectives. For countries where narcotics control is currently a prime policy objective (major source and trafficking countries), the volume of two-way communication and travel assures that high priority is accorded narcotics matters. The Department, which initiates or concurs in all message traffic to these posts, continually monitors the programs to ensure that appropriate action is carried out.

At other posts where narcotics control is important, but illegal trafficking poses less of an immediate threat to the U.S., the priority given to narcotics matters is somewhat lower in relation to other policy objectives. Minimal attention is given to the subject in countries where narcotics abuse is not perceived as a problem by the host government and where illicit drug production or trafficking is not a real or potential threat to the U.S., e.g., tropical Africa.

Role of the Narcotics Control Coordinator

The President's letter of October 25, 1977, to Chiefs of Mission emphasized that, as his representatives, he expected them "to provide positive program direction" and assure that all United States Government activities under the authority of the Mission reflect and support current United States policy. To assist in carrying out that responsibility, with respect to narcotics matters, one officer in each Embassy is designated to ensure that appropriate interpretation and priority are given to all narcotics matters and that narcotics-related activities of all Mission components are directed to attain the goals of the U.S. Government control program. In all but Mexico and Colombia, the narcotics control coordinators have additional responsibilities, are usually a Foreign Service Officer and report to the Chief of Mission. As our international narcotics control program expands, the increasing workload on other Missions may require that additional narcotics control positions be filled on a full-time basis.

The narcotics control function necessarily varies from post to post depending on the importance of the host country to our international narcotics control efforts, the U.S. Government's narcotics control objectives and goals, the size and complexity of the bilateral narcotics assistance program being carried out, and the number of U.S. Government agencies that are represented in the narcotics program at the post. Likewise, the personal rank and position within the Embassy staff of the narcotics coordinator varies depending on these same considerations. The

following tabulation indicates the general status of those assigned as narcotics control coordinators:

<u>Position in Embassy</u>	<u>Number of Posts</u>
Deputy Chief of Mission	17
Political Counselor	10
Economic Counselor	3
Staff of Political or Economic Section	41
Other	<u>50</u>
Total narcotics control coordinators	121

The narcotics officer acts on behalf of the Ambassador in the coordination and direction of the program. To facilitate the conduct of the program the heads of all Mission elements involved are under instructions to keep the coordinator fully informed of all pertinent activities on a continuing basis, and accept guidance as required.

The narcotics coordinator keeps informed of host government attitudes and actions and monitors the narcotics program activities of all participating agencies in the Mission. At the same time he serves as a resource asset to other agencies, facilitating, where needed, upper level contacts with host government entities and officials, functioning as political advisor with specialized knowledge of local political conditions affecting their activities, and assisting in the resolution of any differences that arise between U.S. Government agencies or with host government counterparts. The officer plays a major role in the preparation of the Mission's annual country narcotics program, which is intended to provide an adequate mix, in the local context, of training, enforcement and intelligence support, crop substitution, prevention and treatment assistance and/or diplomatic initiatives with an appropriate balance in terms of local and other resources committed to advance the U.S. Government's international narcotics program.

Under the Ambassador the narcotics coordinator is responsible for assuring that the country narcotics program is implemented as rapidly as possible - fully consonant with U.S. policy objectives, for monitoring the program constantly and, in case of delay, taking immediate steps to spur action either in the field or in Washington as needed. The officer keeps the Department of State, and other agencies, as appropriate, regularly informed of program progress, notable accomplishments, and local developments in the host country

affecting the program. Because training of narcotics control personnel of certain countries is a high priority area, the narcotics control officer is also closely involved in structuring the training mix and approving candidate selection.

The heads of all Mission elements, including DEA offices, involved in the country narcotics program are directed to keep the narcotics control officer fully informed of all their activities on a timely and continuing basis; he must in turn provide other Mission elements with appropriate direction and guidance as approved by the Chief of Mission. This relationship, however, does not preclude the ready access that these officials have to the Ambassador, DCM, or other principals of the Embassy. In posts with a DEA presence, the narcotics control officer is in frequent, often daily, contact with DEA personnel.

Narcotics control committees in Embassies consist of representatives of all elements of the Diplomatic Mission concerned in the post's narcotics control program. The composition of the committees varies greatly from post to post depending on the specific requirements of the country program and the type of agencies assigned to the Mission. At some posts two or more committees exist, such as an executive (senior level) and a working group. The frequency of formal meetings depends largely on local requirements for coordination and the types and frequency of decisions needed to further the country program.

At many posts the committee is chaired by the Ambassador or Deputy Chief of Mission; at others the narcotics control officer presides.

Some posts have separate committees to address problems of drug (and alcohol) abuse within the official community. Composition of the two committees necessarily differs because of the sensitivity of the subject matter.

Role of the Office of the Senior Advisor for Narcotics Matters

Within the Department of State, the Office of the Senior Advisor for Narcotics Matters (S/NM) is primarily responsible for identifying diplomatic initiatives directed toward more effective narcotic control, working with the concerned agencies of the U.S. and international organizations in achieving reduction in illicit drug supply and demand in foreign countries, liaison with key

U.S. diplomatic missions worldwide, and administering the International Narcotics Control Program funds appropriated to the Department.

The goals of S/NM are to ensure that narcotics matters receive proper attention within the Department of State and within the context of our relationship with other countries. Pursuant to achievement of these goals, the Office is responsible for planning the International Narcotics Control Program in coordination with the geographic and functional bureaus of the Department of State, other government agencies which have responsibilities for narcotics control and treatment, and American Embassies.

The Senior Advisor reports to the Secretary, or in his absence, to the Deputy Secretary. S/NM is organizationally part of the Secretary's staff, and the Senior Advisor attends the weekly Assistant Secretaries' meeting with the Secretary.

To a large extent, the degree to which narcotics issues are routinely considered in the broader foreign policy development process depends on a number of variables: the interests of the President, the Secretary, or the Deputy Secretary and the effective working relationships between the Senior Advisor and the Assistant Secretaries and their staffs. Since the establishment of the Office, other elements of the Department have come to realize that the Department must be heavily involved in international narcotics control policy and programs.

To comply with the Presidential Directive to strengthen the effectiveness of the overall program, the Secretary directed a consolidation with S/NM of the planning and implementation functions of the narcotics program which were previously performed by the Agency for International Development (AID) under an inter-agency services agreement. Administration and management of the International Narcotics Control Assistance appropriation performed by AID/Washington was transferred to the Department of State in early October 1977. Narcotics control activities performed by AID Missions abroad are to be integrated into Embassy narcotics units during FY 1978.

The International Narcotics Control (INC) funds, amounting to \$37.1 million in FY 1978, are spent primarily for technical equipment in support of narcotics control programs in major producing countries. Other allocations of the funds are the U.S. contribution to the U.N. Fund for Drug Abuse Control (UNFDAC), bilateral narcotics training for foreign law enforcement and customs

personnel, research projects, special enforcement operations, and treatment and rehabilitation seminars and workshops. The Department has broad flexibility in the use of its funds so that it is able to accommodate new initiatives and new opportunities as they arise.

Merging within one office the responsibility for policy development and program implementation should permit a fuller integration within the Department of narcotics policy formulation, programming and implementation. However, responsibility for managing and operating a program of this type will place a strain on the traditional policy-oriented elements of the Department and will have its manifestations in the Missions abroad as well as in the Department in Washington. S/NM will now be responsible for justification, control over, accounting for, and implementing a program involving tens of millions of dollars. This type of responsibility, while familiar to AID, is relatively unfamiliar to State and its Missions. S/NM will find it necessary to become a manager as well as a planning and policy office and at the same time avoid having operational responsibilities drive out attention to planning and policy considerations.

The S/NM office presently includes the Senior Advisor, a Deputy and four divisions; policy, program, comptroller, and technical services. The policy officers work with the geographic and functional bureaus principally concerned with the narcotics problem. Liaison is mainly through the geographic bureaus' own regional narcotics control coordinators. The program officers formulate and evaluate the country programs, in addition to the management of program funds which are included in the Foreign Assistance Act budget. S/NM officers also work closely with such functional bureaus as Congressional Relations, Consular Affairs, Legal Advisor, and International Organization Affairs.

Approximately two years ago, the formal process requiring Narcotics Country Action Plans (NCAP) was suspended. As a result, only budget and implementation plans now exist for those countries receiving INC funds (10 to 15) and a few others on an ad hoc basis. S/NM has now decided to reformalize the system and later this year will call for a situation assessment from up to 50 countries which it expects will warrant the development of 20 to 25 country action plans. Countries included in such plans will be those that are major producing or transiting countries, have a drug abuse problem, or are in a position to influence international narcotics control initiatives.

The current organization for the international narcotics control function within the Department of State is based on a policy development and coordinating concept for S/NM in its relations with the bureaus and is basically sound. The present organizational framework is economical in its use of resources since bureau staffs are deeply engaged also in narcotics control work to the extent required by the flow of policy and operational problems. The bureaus actually do much of the day-to-day drafting of the narcotics program communications.

State Department officials agree that much progress has been made in educating the Department as to the importance of effective control of the flow of illicit drugs as a prime goal of U.S. policy. The regional geographic bureaus seem to be favorably impressed with S/NM's role in responding to or generating new initiatives, and by its alert and aggressive follow-ups on such initiatives.

Cooperation and coordination have been achieved in what has been basically an unstructured but highly effective environment. The Cabinet Committee on International Narcotics Control (CCINC), its working groups and subcommittees, have not been replaced by new standing committees. Instead, S/NM, proceeding on a strictly ad hoc basis, has gathered together interested parties as each question arose or situation developed, so that in effect many ad hoc working groups have been created and dissolved in the course of the year. This system has worked and is working well.

There is now one formal working group (The Turkish Working Group). The International Affairs Working Group of the President's Strategy Council, to which the interested agencies and offices were asked to designate a regular representative, met early in 1978. Within the International Working Group some functional committees have been established to deal with specific issues such as the role of developmental assistance to narcotics producing areas and the supply of and demand for narcotic medicines. Other temporary or time-limited working groups may also be considered but it is not contemplated that the current easy working relationship which exists between S/NM and the regional bureaus in State will be abandoned.

The S/NM Office at present has been allocated 31 positions, two-thirds of which are Foreign Service or Foreign Service Reserve slots. However, in spite of the increasing stature of S/NM and its counsel in the formulation and development of foreign policy where narcotics considerations are involved, personnel assignments

remain a nagging problem. As yet relatively few Foreign Service Officers (FSO's) have career experience with international narcotics matters and are understandably reluctant to engage in a field with overtones of enforcement and intelligence. This reluctance may diminish as the U.S. Government's foreign policy concerns are perceived to be broadened by embracing such considerations as the economic impact of drug trafficking profits, income substitution and rural development, and the entire broad area of encouraging demand reduction programs as part of our foreign policy. Short term assignments for specific tasks might be initiated on a trial basis as a means of encouraging participation in the broadened role of the narcotics control program.

The Nation's concern with the drug abuse problem is one that will persist for a great many years. Experience indicates that solutions are not rapidly achieved and that social change does not readily come about in a free society. To the extent that drug abuse in this country is the result of foreign grown materials, the cutting edge of our attack will be through foreign policy initiatives.

The present structure in the State Department for coping with these long-term problems has not been institutionalized by converting S/NM to a full, functional operating bureau. Arguments can be made both for keeping the present structure and alternately for conversion to bureau status. If S/NM were to acquire bureau status, it might lead to creation of an inhibiting bureaucracy and a more distant relationship with other bureaus; this should certainly be avoided. On the other hand, it might facilitate considerably the effectiveness of the head of S/NM, if the Senior Advisor could deal with other parts of the Department and with the rest of the U.S. Government, as an Assistant Secretary. In the end, what should be sought is a stable institutional relationship and role for what seems inevitably to be a long-run U.S. foreign policy concern.

Findings and Conclusions

The primary thrust of present foreign policy is toward improving our programs of reducing the supply of proscribed drugs. Increasing attention is being given to such major and long-term efforts as income substitution. Increasing coordination of U.S. and international agencies in this area should serve to facilitate and maximize effectiveness of the program. Other governments should be further encouraged to undertake additional measures to halt the illicit production, trafficking and use of drugs.

Continued reliance on supply reduction programs does not fully recognize the President's broader concern with drug abuse as a worldwide problem, and our policies direct insufficient demand reduction assistance to foreign countries. In addition to fulfilling a desirable international objective, demand reduction worldwide is important to the success of worldwide supply-reduction programs. As long as demand for the product remains, there will be pressure for illicit supply sources to attempt to satisfy the market.

Because narcotics concerns will be an integral part of foreign policy considerations for a very long time to come, the role of S/NM needs to be better institutionalized and be perceived as an opportunity to further a foreign service career. It is not yet clear that converting S/NM to the status of a bureau would accomplish that result. After more experience within the present framework, particularly with management of the INC program, it may become advantageous to make such a change.

Recommendations

- Country Narcotics Action Plans for those countries affected by the supply of and/or demand for drugs should be developed by the U.S. Country Team led by the Ambassador and the appropriate narcotics components within such Embassies in accordance with specific guidelines issued by S/NM. The plans should look to the future and, as such, recommend both long- and short-term objectives in the areas of income substitution, law enforcement and intelligence cooperation, training, prevention and treatment, which would, in the end, enable foreign governments to deal with the problems associated with narcotics control within, and at, their borders and more fully participate in international cooperative efforts. The plans should explicitly include the means of achieving these goals as well as proposed initiatives with the host country government and should identify offices which might further assist in the international narcotics control effort. On a semi-annual basis the plans and progress within each country would be reviewed and assessed by the Executive Director of the Strategy Council or his designee.
- S/NM, in consultation with the bureaus of the Department of State, should institutionalize means of communicating drug-related policies and information on a regular basis to key

embassies and missions. This information should include periodic reports from DEA, Customs, HEW, and other relevant special studies (e.g., NIDA Research Issues and Monographs), Congressional testimony, press releases and other material that would be of use to field personnel to apprise them of current drug policy and developments and assist them in the performance of their duties.

- The State Department should strengthen its review of all elements of our foreign policy toward producing countries and, wherever feasible, seek a commitment by such countries to initiate, with suitable assistance, programs to eliminate narcotics cultivation. The specific narcotics country action plans for these producing countries should identify the priority accorded to narcotics control in light of other in-country considerations such as fishing rights, oil, etc. Narcotics control efforts should be given heavy weight in balancing other U.S. objectives when considering foreign aid or trade.

IV. INTERNATIONAL SUPPLY REDUCTION

Inasmuch as the principal drugs of traditional concern - heroin and cocaine - are the product of foreign agriculture, the U.S. Government has for many years maintained a presence abroad to attack the trafficking in these drugs at points as close as possible to the source of the production. Until this decade U.S. supply reduction efforts were almost exclusively directed toward law enforcement assistance to host country police and customs personnel and the acquiring of information on trafficking for (a) use in such enforcement action, (b) aiding in the interdiction of illicit drug shipments at our borders, and (c) use in domestic investigation and apprehension of major traffickers with foreign connections.

Beginning early in the 1970's, the U.S. enforcement efforts abroad were intensified through increasing investigative and intelligence capabilities and training of foreign police and customs personnel in narcotics matters. Much has been accomplished through maintaining this presence abroad but, recognizing that police action alone could not contain the heroin traffic, diplomatic efforts were undertaken concurrently to eliminate or reduce the growth of raw materials through acreage reduction and development of income substitution programs.

In addition, we are working more closely with other governments to exchange financial information on suspected traffickers and further cooperate on arrest and prosecution.

Primary emphasis has been on bilateral actions but supply reduction programs are also conducted by international organizations of which the United States is a member. The programs of these agencies are receiving increased attention as awareness grows among foreign governments that they too have a domestic drug abuse problem and that multilateral assistance from international organizations or other countries may be more welcomed by some producing and trafficking countries rather than bilateral aid.

A. LAW ENFORCEMENT ASSISTANCE

International cooperation in the area of narcotics control dates back to The Hague Opium Convention of 1912 which stipulated that the parties to this agreement "shall cooperate amongst themselves in order to prevent the use of drugs for any other purpose

other than medical or legitimate use." Law enforcement assistance in the area of international narcotics control specifically figures in the narcotics control conventions of 1931, 1936, 1961 and 1971. Historically, two of the primary objectives of the U.S. drug supply reduction program have been to gain the support of other nations for narcotics control and to strengthen narcotics control efforts and capabilities within foreign governments.

Law enforcement assistance to foreign governments provides a unique opportunity to meet both of these objectives. First, it serves to direct control efforts at the source or as close to the source of production of illicit narcotics as possible where the level of purity is high and before the distribution system of the trafficker becomes diffuse. Second, it enlists the resources of many governments with their own intelligence, investigative capability and border controls which provide a defense in depth against the trafficker. The following table indicates that in 1970 and 1971, seizures of heroin or heroin equivalents domestically and by foreign governments with U.S. assistance totalled 3,787 pounds of which 41 percent was seized overseas. Since 1972, the percentage of foreign seizures with U.S. assistance has varied between 70 and 90 percent of the total and average yearly quantity has exceeded the 1970 and 1971 amounts combined. Total cocaine seizures quintupled from 1970 to 1976 and in the last two years of that period three out of every five pounds were seized by other governments with U.S. cooperation.

HEROIN OR HEROIN EQUIVALENTS

	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
<u>Pounds seized</u>							
<u>Domestic</u>	691	1541	1036	481	682	1032	1123
<u>Foreign</u>	247	1308	4364	6122	2232	3476	2658
<u>Total</u>	938	2849	5400	6603	2914	4508	3781
<u>Percentage</u>							
Domestic	73.7	54.1	19.2	7.3	23.4	22.9	29.7
Foreign	26.3	45.9	80.8	92.7	76.6	77.1	70.3

COCAINE

	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
<u>Pounds seized</u>							
<u>Domestic</u>	730	602	916	1304	1233	1361	1676
<u>Foreign</u>	<u>75</u>	<u>346</u>	<u>801</u>	<u>1015</u>	<u>991</u>	<u>2201</u>	<u>2497</u>
<u>Total</u>	805	948	1717	2319	2224	3563	4173
<u>Percentage</u>							
<u>Domestic</u>	90.7	63.5	53.3	56.2	55.4	38.2	40.2
<u>Foreign</u>	9.3	36.5	46.7	43.8	44.6	61.8	59.8

The United States was the first government to assign narcotics agents abroad to cooperate with the authorities of other countries in developing evidence against violators known or suspected to be supplying narcotics to the United States. These overseas assignments began in 1935, were discontinued during World War II and reestablished in 1948. Formerly under the auspices of two predecessor agencies*, narcotics agents are today under the direction of the Drug Enforcement Administration (DEA) and represent the United States in 70 posts abroad. Under State Department's overall responsibility for international narcotics control policy and in accordance with President Nixon's letter which transmitted Reorganization Plan No. 2 of 1973, DEA was designated as the Federal agency responsible for dealing with foreign drug law enforcement officials.

In addition to DEA agents overseas, representatives from the U.S. Customs Service to a large extent, and the FBI, INS, the U.S. Coast Guard and the Department of Defense, to a limited extent are involved in supporting the U.S. narcotics law enforcement assistance abroad. In FY 77, the entire Federal law enforcement community assigned approximately 666 positions and budgeted approximately \$29.4 million for overseas programs. While the FBI, Customs and INS personnel are involved in narcotics control efforts only incidentally to their major mission, they do provide valuable assistance and information to support the overall

* The Federal Bureau of Narcotics (FBN) and the Bureau of Narcotics and Dangerous Drugs (BNDD).

international control effort. Customs in particular maintains an active liaison with many of the customs services throughout the world and has specific narcotics advisors in Thailand and Ecuador.

	<u>Overseas Positions</u>	<u>\$ (millions)</u>
DEA	340	17.7
Customs Service	95*	7.8
FBI	66	3.9
INS	128	2.9

The Department of Defense is also engaged in narcotics law enforcement assistance activities overseas but only to the extent that U.S. forces personnel, both military and civilian, and their dependents are involved in the possession, use, sale or transfer of illegal drugs. Major trafficking cases involving other than a military target are turned over to DEA. Although the U.S. Coast Guard units overseas do not have any direct role in narcotics control, the agency does contribute to the international narcotics control effort through the interdiction of contraband smuggling vessels in coastal and nearby international waters.

Essentially all of these Federal agencies overseas are involved in one or more of the following kinds of law enforcement assistance to foreign governments; liaison, intelligence exchange and training. In light of the extensive training programs conducted by DEA and Customs, a separate section of this report has been devoted to U.S. policy toward training foreign law enforcement officers. A separate section of the report also discusses the recommendations made in ODAP's Narcotics Intelligence Study as well as the potential impact of these recommendations on our international narcotics control effort.

International narcotics law enforcement cooperation, notwithstanding the fact that it has been carried on for over 40 years, has been the victim of frequent misconceptions. The most common misconception is that it permits the drug agents of one country to

- * In addition to these Customs positions overseas, 165 are deployed to preclearance inspection in Canada, Bermuda and the Bahamas but maintain an informal liaison with the foreign customs counterparts.

operate freely in another. Experience indicates that governments receiving assistance from foreign agencies in cases of mutual interest carefully guard their sovereign powers. In fact, the law enforcement agent operating abroad does not have any police powers of arrest, search or seizure, although in recent years and in many countries U.S. agents did, on occasion and when necessary in the course of an investigation, actively participate in arrests with host country police. These actions, because of the potential for undesirable developments, gave rise to restrictive legislation. Section 504 of Public Law 94-329 enacted on June 30, 1976, and entitled the "International Security Assistance and Arms Export Act of 1976," or more commonly known as the "Mansfield Amendment" specifically states:

"(c)(1) Notwithstanding any other provision of law, no officer or employee of the United States may engage or participate in any direct police arrest action in any foreign country with respect to narcotics control efforts."

In adopting this provision, the Congress sought to ensure that U.S. narcotics control efforts abroad would be conducted in such a manner as to avoid involvement by U.S. personnel in foreign police operations where violence or the use of force could reasonably be anticipated. The Congress further stipulated that the U.S. Ambassador, in any country where U.S. narcotics control activities are undertaken, should exercise close supervision of such activities to ensure that U.S. personnel do not become involved in sensitive internal law enforcement operations which could adversely affect U.S. relations with that country.

In response to the Mansfield Amendment DEA and the Department of Defense (DOD) issued specific foreign guidelines which delineated the parameters under which DEA personnel and DOD investigators could operate overseas. These guidelines do allow for certain activities which are permissible under the laws of the host nation and which can significantly enhance control of the drug traffic affecting the United States. These activities primarily fall into the categories of liaison and intelligence exchange which include undercover operations or other information gathering methods not involving the use of force; the handling and development of informants; the evaluation of intelligence; and the cooperation with foreign law enforcement officials in undertaking special surveillance assignments.

This kind of support to foreign law enforcement officials has made a real impact on the production of, and trafficking in, narcotics over the past three decades and, as such, has curtailed the flow of heroin, cocaine and cannabis into the United States. DEA continues to concentrate on the basic principle that the supply of drugs can be most effectively reduced if its resources are directed toward the suppression of criminal organizations responsible for the illicit traffic and on the elimination of their vast supplies. These efforts must be continued as long as trafficking presents a real threat to the U.S.

The U.S. Customs Service is also engaged in certain liaison functions with host country law enforcement authorities charged with the prevention and detection of narcotics smuggling at borders and ports of entry. Basically, there are two types of U.S. Customs advisors currently assisting foreign customs services: the general advisor funded by the host government, and the narcotics advisor funded by the International Narcotics Control (INC) Program of the State Department. The narcotics advisors presently stationed in Thailand and Ecuador have been assigned to assist host countries in improving their narcotics interdiction procedures. Since interdiction procedures cannot be separated from general administration, management, and inspection and control procedures, one can expect a general improvement of the host country's customs service. By upgrading a foreign customs service's entry and control procedures, such assistance concurrently increases revenue collection, thereby giving the host country an additional return for its cooperation in international narcotics control. The narcotics advisor interfaces directly with the host country customs service through which he may also be involved with other agencies that are active in the narcotics control area, such as police organizations, border control forces, and customs military organizations (e.g., Ecuador).

Since January 1974, a U.S. Customs narcotics advisory team has been in Thailand to assist Thai customs in modernizing and reorganizing their customs operations in Bangkok and establishing a boat maintenance program. The increased number of narcotics seizures at the Bangkok Airport can be attributed, in part, to the successful efforts of this team. The Customs narcotics advisory team in Ecuador is carrying on a similar program with special stress on border crossing posts.

In addition to these assistance functions, the U.S. Customs Service is also involved, in the preclearance of U.S. bound passengers from Nassau (Bahamas), Montreal, Toronto, Winnipeg,

Vancouver (Canada), and Bermuda. To assist U.S. Military Customs Advisors abroad who are responsible for predeparture inspection, the U.S. Customs Service also has assigned three Customs Officers to the Pacific Command in Korea, the Philippines and Okinawa; one to the Federal Republic of Germany; and one in Washington, D.C. to cover the Caribbean and Latin America.

In addition to DEA and Customs, several other Federal law enforcement agencies engage in liaison activities which are often indirectly related to narcotics control. The military investigative services of the Defense Department maintain close and continuous liaison with host country police and customs services to ensure an unrestricted flow of law enforcement information pertinent to drug suppression operations and investigations involving traffic by or directed to military personnel and their dependents. Since many investigations involve personnel or incidents of interest to both the military and the host country, joint operations are conducted to ensure the best use of investigative resources. Such operations involving Army Criminal Investigation Units as well as joint investigations with other U.S. law enforcement agencies are conducted only upon request and approval of the Ambassador or his representative (the Embassy Narcotics Coordinator) provided the operation has an identifiable connection to U.S. Forces personnel. Technical equipment is provided only to other U.S. agency enforcement personnel to support joint operations or investigations involving U.S. military subjects. No technical equipment is provided to host country counterparts for drug control purposes.

The FBI and INS also have personnel stationed abroad to maintain liaison with host country law enforcement and security agencies; however, they are not generally involved in any narcotics related activities conducted by the host country or initiated by DEA. If the representatives from these agencies acquire any narcotics information in the course of their normal operations, this information is immediately relayed to DEA's resident agent and/or the Embassy Narcotics Coordinator.

Findings and Conclusions

1. Assistance to foreign police and customs agencies has a high return for the U.S. investment in that it enlists a much larger force of law enforcement officers operating closer to the source of production than would be possible to deploy within the U.S. and places the smuggling of narcotics at multiple risks inasmuch as border crossing and check points are more numerous. To capitalize on this opportunity, DEA actively provides informal technical assistance and encourages host countries to establish

central narcotics control agencies within their own governments so that the illicit production and distribution of narcotics can be more effectively investigated. The U.S. Customs Service also places a high priority on "institution building" within the host country customs service. Experience has shown that more sophisticated customs inspection procedures enable foreign countries to increase the revenue collections which in the end provide the country with an additional return for its cooperation in international narcotics control.

2. DEA agents overseas interact with their foreign counterparts primarily in intelligence exchange and case development. Since the Mansfield Amendment specifically precludes DEA agents from participating in direct police arrest actions in foreign countries, the agent acts primarily as a coordinator and motivator in the development of investigations into the traffic affecting the U.S., but not in the traditional enforcement role of his domestic peer.

3. The obvious shift in responsibilities brought about by the Mansfield Amendment emphasizes the need for DEA personnel who have a broader scope of interest and understanding than the traditional domestic street agent whose sole concern is justifiably the arrest and prosecution of narcotics traffickers. This shift in responsibilities suggests a need for (a) even more thorough recruitment procedures for overseas assignments and (b) the development of a reasonable career system for these individuals including a more effective method of evaluating their accomplishments.

4. The provisions of the Mansfield Amendment and the attendant increased reliance on foreign law enforcement authorities indicate that there is a need to continue to review systematically the number of agents abroad to determine where they can be most beneficial.

5. Customs' seizures of narcotics in Thailand are reported to have significantly increased since the U.S. Customs Narcotics Advisory Team was established there in 1974. The use of such advisors in other major drug producing areas of the world should be evaluated and considered by S/NM in light of all information applicable to the country and provided by all U.S. agencies,

Recommendations

- In light of the changing nature of enforcement activities overseas brought about by the Mansfield Amendment, and in view of the policy emphasis on demand reduction, income substitution programs, intelligence gathering, and increased activity of international organizations, DEA should develop a formal personnel system for its overseas assignments which would include:
 - a. A personnel selection, training, and orientation process that recognizes this broader mission and is based on a long-range career-type commitment,
 - b. A system of rotation in suitable career-related positions, and
 - c. Appropriate methods and criteria for evaluating the effectiveness of its overseas personnel.

B. INTELLIGENCE

The collection and exchange of intelligence are fundamental to the efforts of all U.S. agencies abroad involved in our international narcotics control program. A separate narcotics intelligence study, which explores the various ways of improving our narcotics intelligence collection and production efforts, has recently been completed by the Office of Drug Abuse Policy. This section of the International Study, therefore, will only briefly review the recommendations of the Narcotics Intelligence Study and their possible impact on our international narcotics control effort.

Six key issues were raised in discussing the Federal narcotics intelligence collection and production process:

1. defining the intelligence collection and production roles and responsibilities within the Executive Branch,
2. establishing an interagency coordination mechanism for narcotics intelligence activities,
3. improving the quantity and quality of narcotics interdiction intelligence,
4. improving the exchange of financial intelligence related to the narcotics traffic,

5. establishing procedures to ensure maximum use of narcotics intelligence not otherwise obtainable and derived from sources abroad by U.S. foreign intelligence agencies, and
6. developing a reliable system for forecasting worldwide opium poppy cultivation.

Specific roles and responsibilities for the State Department, DEA, Customs, CIA, NSA, IRS and the FBI were recommended with particular emphasis on the interagency aspects of these roles and the specific parameters under which each agency could operate. The recommended statement of roles and responsibilities further encouraged each Federal agency to collect within its capabilities, the narcotics intelligence necessary to support Federal narcotics control policies and programs.

A committee system was recommended to coordinate narcotics intelligence activities within the Executive Branch and to ensure the complete separation of foreign intelligence collection, analysis and production by U.S. foreign intelligence agencies from any involvement in domestic intelligence and law enforcement activities. The committees will participate in the formulation and coordination of narcotics intelligence collection and production requirements as well as ensure the timely dissemination and evaluation of information and analytical products. Once operational, the Federal agencies can look to these committees for standardized collection and production requirements.

To improve the volume and flow of narcotics interdiction intelligence, it was determined that U.S. Customs should have an increased role in the narcotics intelligence process. Toward this end the report recommends that:

"Customs should collect information from foreign customs services and foreign trade communities on all smuggling activities, including narcotics. Customs should also participate on an initiative and bilateral basis in debriefings of narcotics violators arrested at the U.S. borders and ports of entry, provided that all information collected by Customs concerning narcotics is made immediately available to DEA, and that any further initiatives (e.g., investigations) by Customs beyond the collection of information be undertaken only with DEA concurrence under mutually agreed procedures."

In the area of financial intelligence related to the narcotics traffic, the Narcotics Intelligence Study proposed a five-part course of action which included recommendations to (a) consider amending the disclosure and summoning provisions of the Tax Reform Act of 1976; (b) vigorously apply the Racketeer Influenced and Corrupt Organizations (RICO) Statute in narcotics investigations; (c) direct the State Department to respond to coordinated Justice/Treasury requests to negotiate mutual assistance agreements with selected countries used by narcotics traffickers as financial havens; (d) expand the IRS Narcotics Traffickers Tax Program to prosecute drug traffickers for violations of the Federal income tax laws; (e) increase the collection of financial intelligence available from the various Federal reporting forms which must be filed under the (Foreign) Bank Secrecy Act, and (f) set narcotics-related financial intelligence collection requirements and coordinate the cross training of investigators in the methodology and use of financial intelligence.

Procedures and guidelines were also recommended to permit more effective exploitation by Federal policy officials and law enforcement agencies of narcotics intelligence acquired abroad by U.S. foreign intelligence agencies. The Study also recommends the development of a tactical system to support an active eradication program and the development of a strategic capability to analyze all-source information which would provide policy officials with accurate assessments of worldwide opium poppy cultivation. The report was completed in February 1978 and the recommendations are currently being implemented.

C. TRAINING

Extensive training of foreign police and customs officers in narcotic control techniques is conducted by both DEA and Customs. Cost of the training is funded from International Narcotics Control Assistance funds formerly administered by the Agency for International Development and now managed by S/NM. In recent years the following amounts have been devoted to the programs conducted by DEA and Customs:

<u>Fiscal Year</u>	<u>In thousands of dollars</u>		
	<u>DEA</u>	<u>Customs</u>	<u>Total</u>
1974	1,652	1,238	2,890
1975	2,049	1,515	3,564
1976 & TQ	2,437	1,786	4,223
1977	2,136	1,600	3,736
1978 (Est)	2,085	1,849	3,934

Each agency develops its proposed training program in a somewhat different manner. DEA's proposals are based on (a) suggested training for the host country from the DEA country attaches and the narcotics coordinator, (b) an assessment of institutional capabilities of each country by members of the DEA Field Academy Unit, the DEA Country Attaches and Narcotics Coordinators, (c) a prioritization of these countries having the greatest potential to develop their own drug law enforcement programs and (d) an assessment of DEA enforcement priorities as they relate to general and specific training needs. Training capability and training need assessments for each country have also been made and updated by means of a comprehensive questionnaire to the field.

Customs identifies training support to host country agencies on the basis of available information on narcotics production and trafficking patterns. Country files in U.S. Customs headquarters and narcotics country programs are reviewed to make an initial determination of training needs of agencies involved in narcotics control in these countries, the adequacy of present training, and future needs. Surveys of training needs are available for certain countries.

The plans of both agencies are developed in consultation with each other and are submitted to the Office of the Senior Advisor for Narcotics Matters where they are reviewed in accordance with S/NM priorities. After approval, both Customs and DEA send advance parties to further define training needs prior to the arrival of the training teams. As a part of this further definition of needs, the host country officials will identify their own training requirement needs and request training to meet them. The Embassy Narcotics Coordinator, the resident DEA representative and Customs Attache, if one is in residence, assist with the survey. Thus the program is tailored to meet specific needs. Both DEA and Customs have recently focussed their programs primarily toward institutional training with the objective, where possible, of making countries self-sufficient in the training and development of their own police and customs services.

Both agencies direct their training programs to improving the capability of foreign law enforcement and border control personnel in order to better contain drug trafficking and curtail narcotics smuggling abroad, thereby lessening the volume of illicit drugs reaching the United States. Both DEA and Customs also consider their programs valuable in developing rapport with their counterparts abroad.

Training is conducted by both agencies in the United States and the host country.

Training in the United States

Stateside training includes (a) an observation program for high level officials of a foreign service, (b) an instructor development program of five weeks duration (DEA) for foreign law enforcement personnel who will be involved in development and delivery of training programs in their own countries, and (c) an advanced five-week school for mid and high level personnel responsible for narcotics investigations (DEA) and border control (Customs). The DEA enforcement and instructor training programs for supervisory and mid-management development include courses in drug identification, principles of drug enforcement work, management and supervision of specialized drug investigation units and methods of implementing drug training programs. Customs' instruction for foreign officers at a supervisory or mid-management level includes management training, supervisory techniques and enforcement methods and techniques. In addition, DEA conducts a seminar for forensic chemists employed by foreign police laboratories who analyze drugs as evidence in drug cases. Customs offers two programs in the narcotics detector dog field. One of these is a 14-week course for handlers and the other is a three-week course for trainers or administrators of dog programs.

In 1977, DEA provided training in the United States to 197 officers from 49 countries and Customs to 108 officers from 36 countries.

Training Abroad

DEA overseas training is conducted by a team of DEA instructors or an instruction staff composed of DEA and host country officers who have received instructor training from DEA in the U.S. In these joint schools, DEA instructors are initially responsible for planning, while host country officers do the actual teaching and evaluation. This offers an opportunity for on-the-job instructor training in preparation for the host country to conduct its own basic drug enforcement training. In addition, schools are conducted in country in methods of instruction, drug intelligence collection and analysis on both a regional and a country basis, and in specialized subjects, i.e., conspiracy investigations. DEA's emphasis on

helping countries become self-sufficient in drug enforcement training has greatly reduced overseas training in basic narcotics enforcement. In 1977, 1,104 foreign officers from 49 different countries received training.

The Customs overseas enforcement training is a two-week course for operational border control personnel, heavily oriented toward search, seizure, narcotics identification, drug trafficking patterns, baggage examination, concealment methods, etc. This course may be augmented by a one-week instructor development course. Some of the trainers developed in this program have assisted in U.S. Customs enforcement training in their countries. In 1977, 650 foreign officers from 17 countries received training.

It should also be noted that both DEA and Customs support various international training efforts available through UNFDAC and INTERPOL. The potential for greater coordination of programs conducted by domestic agencies and international organizations and the minimization of duplication should be explored by S/NM.

Findings and Conclusions

It is obvious that very extensive bilateral training programs are being conducted by both DEA and Customs in this country and abroad. The activity has undoubtedly helped establish and improve relations between the two U.S. agencies and their foreign counterparts which is most useful in the day-to-day cooperation necessary in the conduct of mutually agreed upon drug suppression programs.

Although DEA and Customs have instituted their own internal evaluation mechanisms, there has been no comprehensive and systematic evaluation of program results since a survey was made in 1974. In spite of the difficulties in so doing, a thorough evaluation would be useful to program managers in DEA, Customs and S/NM in the administration of the program. Such an evaluation should (a) assess what trainees learned, (b) include an analysis of the operational effectiveness of the trainees after training, (c) appraise the degree to which institutional capability has been improved, and (d) identify the percentage of those trained who are performing functions for which trained. S/NM should also explore the potential for greater reliance on international training available or that which could be made available through UNFDAC, the U.N. Division of Narcotic Drugs, I.C.P.O./INTERPOL and the Customs Cooperation Council.

Recommendations

- As the office responsible for allocating INC training funds, S/NM, in coordination with appropriate regional and functional bureaus of the Department of State, should be responsible for evaluating the effectiveness and results of DEA and Customs foreign training programs and review the advantages and disadvantages of placing increased reliance on training programs conducted by international agencies to achieve the objectives of present bilateral training. In addition, S/NM should establish a procedure for increasing the coordination of the training programs offered foreign officials in the U.S. by DEA and Customs and consider whether or not joint conduct or consolidation of some of these programs would be feasible.

D. NARCOTIC CROP SUPPRESSION

Opium and its derivatives, cocaine, and marihuana are agricultural products. Their production, both licit and illicit, provides an important source of income to farmers in many parts of the world who, typically are in developing countries and are among the most impoverished of the people in those countries. In most instances, the production of these crops provides the only cash income of the Bolivian Indian, the Mexican campesino or the hill tribesman of the Golden Triangle. The illicit and/or uncontrolled production of these plants, except occasionally for cannabis, is almost always found in remote, often inaccessible areas of the country in which the government is unable to exercise its full authority. Therefore, control is extremely difficult.

Suppression of illicit narcotics crops poses social as well as economic and political problems. Chewing coca leaves has long been a cultural habit in the Andean regions of South America and the use of opium and its by-products is deeply ingrained in the life of the rural areas of the Middle East and Southeast Asia. Only in Mexico is the cultivation of the opium poppy without its indigenous social use.

Yet the elimination or drastic curtailment of illegal cultivation obviously would have a major impact on the narcotics traffic. Supply reduction processes - law enforcement and crop suppression - are interdependent and one serves to supplement the other as each becomes more effective. No matter how competent the

suppression of the illicit traffic domestically at ports and borders, and internationally, enforcement actions alone can never be completely effective when pitted against unlimited production of raw materials that annually inundate the United States and the rest of the world.

Turkish Experience

When national attention was focused on the rise in drug abuse in the late 1960's, it was estimated that as much as 90 percent of the heroin used in the United States was derived from opium diverted from its legal production in Turkey where the poppy had been cultivated for centuries. Diplomatic initiatives were mounted in 1966 to persuade the Turkish government to gradually eliminate the cultivation of the opium poppy and encourage substitution of other viable crops. The initiatives were accompanied in 1968 with a \$3 million loan to the government to assist in developing crop substitutes and for equipment to enable it to enhance crop control and narcotics enforcement.

By 1972, the Turkish government had eliminated poppy cultivation from 17 of the 21 provinces in which it had been grown, and agreed to terminate future planting in the remaining four provinces after harvesting the 1972 crop. In exchange, the United States agreed to a \$35 million program with the Turkish government to compensate the farmers in these four provinces over a three-year period and to further the development of substitute crops.

No crop could immediately be put in place that equalled the monetary return from poppy cultivation although subsequently winter safflower, winter lentil and hardier varieties of wheat, barley and oats were found to make good income substitutes. In the meantime, a potential worldwide opiate shortage was anticipated and some farmers were reported to be dissatisfied with the ban since the poppy also supplied oil, seeds for food and fodder for animals. The newly elected coalition government rescinded the ban in 1974 by which time \$15.6 million of the agreed upon funds had been released to Turkey. The remainder of the \$35 million was cancelled.

In authorizing resumption of poppy cultivation, the Turkish government, with United Nations assistance, stipulated that only poppy straw could be produced, a process which collects the unlanded

Pods which are then crushed to extract morphine rather than opium. As in the past, the farmers were also required to sell their entire crop to the Turkish government. The consensus of DEA, State and international agencies is that due to the efforts of the Turkish government there has been no diversion to the illicit market.

Several conclusions may be drawn from the Turkish experience.

1. In the short term, the ban effectively reduced heroin availability in the United States from mid-1972 through 1973; purity of heroin on the streets dropped dramatically and so did the number of users. Due to the use of the poppy straw method and imposition of effective control measures, there is no evidence that the resumed cultivation of the poppy has led to diversion of opium into the illicit market.
2. The long term effect has been to substitute a smaller volume of Asian and a somewhat lower quality of Mexican heroin to supply the illicit U.S. market. Traffickers in Mexico had long illegally cultivated the opium poppy for conversion to "brown" heroin which always had a limited U.S. market in the Southwest. Production was stepped up to meet the heroin drought and the primary source problem was transferred from Turkey to Mexico.
3. Crop substitution is a long range program that cannot be achieved in one or two growing seasons. No single crop should be expected to provide dollar-for-dollar replacement, and more than likely different farming methods, new marketing systems and agricultural redevelopment in general will be required.

Crop Eradication

Mexico is currently the principal supplier of heroin to the U.S. - it is estimated that about two thirds of our six-ton consumption is produced in that country. It is also a major supplier of marihuana. Both products are illegal in Mexico and President Lopez-Portillo has intensified an eradication program that is significantly reducing availability of heroin in many American cities.

Mexico is now using what has been identified as ecologically safe herbicides to destroy poppy fields. From December 1, 1976, to November 30, 1977, 47,000 poppy fields covering more than 9,000 hectares (22,230 acres) were destroyed by the Mexican government. Helicopters and other equipment, training, and assistance in management assessment, technological and legal support are provided by the United States from the International Narcotics Control appropriation. In FY 1977, \$13.4 million were committed for the Mexican program. For its part Mexico spends \$40 to \$50 million a year on the program that involves some 700 members of the Attorney General's office and over 10,000 military troops. The helicopters that do the spraying are flown by Mexican pilots.

Based on criteria by which the Federal Government assesses the availability of heroin on U.S. streets these efforts have been extremely successful. Third quarter statistics for 1977 showed the following as of September 1977: the national average retail purity of heroin was 5.0 percent compared to the 6.4 percent average in 1976, the national average retail price per milligram of heroin had increased to \$1.69 compared to \$1.26 in 1976; and the national heroin-related overdose death rate dropped sizeably to 127 compared to 287 for the first quarter of 1977.

Income Substitution

The terms "crop substitution," "alternative enterprises," and "income substitution" have become phrases for the concept of reducing the supply of illicit narcotics at their source by providing assistance to growers of such crops and their governments in the substitution of viable, non-narcotics producing crops. Such programs may require development of an entire new agricultural economy and could improve the economic status of the farmer as well as his social welfare.

For the most part we are dealing with farmers who are barely operating at the subsistence level. They have not been exposed to anything approaching modern agricultural technology. Their only resources are land and labor. Their market is restricted to the buyer for the lucrative illicit trade. Moreover, their enterprise is conducted in physically rugged, remote areas, of limited accessibility and under tenuous political and administrative control by the central government. Agricultural infrastructures are non-existent or at best rudimentary. In most areas the problem is

further complicated by age-old traditions involving the culture and use of narcotic plants to ameliorate hardships of the struggle to survive. Under these circumstances, income substitution efforts must proceed hand-in-hand with enforcement measures to suppress illicit crops and control trafficking by curtailment of the movement of illicit narcotics from the growing area.

Many of these factors militate against single crop substitution programs. What is usually required is a basic rural development which includes use of alternate agricultural crops, more effective techniques of cultivation and an agricultural marketing and extension system. Some factors favor the chances of succeeding in effecting such change. Among these are: (1) the near base-zero level of agriculture as it now exists in the areas involved, only a few basic crops are grown and these give relatively poor yields; (2) the growers get a very small share of the eventual value of the illicit drugs; and (3) the desire on the part of their governments to eventually eliminate production and trafficking in illicit narcotics.

Because other crops or income sources frequently cannot compete on a one-to-one basis with illicit opium or coca, income substitution is viewed as an increment in integrated rural development programs which will also improve the life-style of the poor peasant who cultivates the poppy or coca bush. Such a development program may include not only alternate crops, but also such other benefits as income sources, marketing structures, better health facilities and improved water systems all of which help soften the impact of an enforced but phased reduction in the amount of drug-producing crop that he grows.

A successful crop substitution program involves an on-site evaluation of crops, cropping systems, harvesting, and processing methods. It is important to link an extension effort to research and experimentation so that the results can be used by the farmer, an arrangement that has proven to be a necessary link between research and practice in the U.S. and one which can be modified and adapted to meet the requirements of target countries.

Programs must be planned between host governments and all U.S. agencies which participate in the program. Obviously, no successful development program can be imposed and implemented by outsiders. Only commitment and direct involvement by the host government can assure its workability. Furthermore, host governments must understand their role in the enforcement aspect of the program and be willing to carry it out.

State (S/NM) at present supports limited pilot income substitution projects in Bolivia and Pakistan; others may be initiated in Afghanistan and Peru in the future. UNFDAC funded programs are under way in Thailand, Afghanistan and Pakistan and are planned in Burma. In addition, the U.S. Department of Agriculture has crop substitution research programs underway in Thailand and Pakistan which were developed with host country agricultural institutions and where host country scientists have leading roles in execution of the programs. USDA has already identified a number of crops, particularly in Thailand, which it considers economically viable. Approximately 50 percent of USDA's narcotics budget is spent on crop substitution research.

The International Narcotics Control Program devoted approximately nine percent of its annual budget to income/crop substitution projects in FY 1977 and will increase this to 12 percent in FY 1978. These funds are limited to pilot projects which are catalysts for larger programs to be financed by other international donors. In Bolivia the full-scale project is to be financed by AID. In Afghanistan, the possibility of an international consortium of donors, including funds provided through UNFDAC is being explored. A similar arrangement might be used in Pakistan.

Significant reduction of illicit cultivation of drug-yielding crops is a long range goal which will only be achieved over a period of several years. Programs should be jointly evaluated with host governments at selected stages of each project, looking at performance and results on all fronts --- agricultural, attitudinal, and enforcement. In the short-run, the prospect of developmental assistance to producer countries should provide the quid pro quo for the host governments to take such measures as are necessary to prohibit the further expansion of coca or opium cultivation.

International Financial Institutions

In his August 2 Message to Congress, the President stated that he was instructing the U.S. representatives to the loan committees of the Regional Development Banks and other international financial institutions to use their votes and influence to encourage well designed rural development and income substitution projects in drug producing countries and to ensure that assistance is not used to foster the growth of narcotic plants. Translating the Presidential instructions into meaningful actions by international financial institutions, as well as other bilateral aid donors, will require concerted efforts by all elements of the U.S. Government,

The Office of the Assistant Secretary for International Affairs in the Treasury Department has responsibility for international economic policy and deals with the international lending institutions: the International Bank for Reconstruction and Development, the International Development Association, the Asian Development Bank, the Inter-American Development Bank and the African Development Fund.

These institutions specialize in project lending in such sectors as agriculture, power, transportation, water supply and sewage, urbanization and education. Lending criteria focus on economic and social development with particular emphasis in recent years on assistance to impoverished farmers in developing countries. Without the strong support of the government involved and an adequate enforcement program, the banks' experience indicates that crop substitution in itself is not sufficient to counteract illicit cultivation of narcotics crops.

Since 1972, the U.S. Executive Directors have been under instructions to work with management of the Banks to urge that they give priority consideration to projects meeting IFI economic criteria and which, as an additional benefit, have as their objective the elimination of illicit narcotics smuggling or production.

A 1977 memorandum from a senior World Bank official to the U.S. Alternate Executive Director at the World Bank, discusses some of the difficulties perceived by the institutions based particularly on discussions with agronomists familiar with the countries where poppies are grown. A reported consensus was that:

- a. the income generated by a poppy crop is significantly higher than could be obtained by growing other crops in the same environment;
- b. the margins in the opium trade are large and could easily absorb a significant increase in producer price and still compete effectively with any substitute crop; and
- c. the poppies are mostly grown by politically disaffected/insurgency groups and/or by people who do not have security of tenure.

The Bank memorandum further observed that "for a comparable investment, one could reach and benefit many more of the target population than would be affected by investment in a remote poppy cultivating area."

Last year a U.S. sponsored resolution was adopted by the U.N. Commission on Narcotics Drugs and the U.N. Economic and Social Council (ECOSOC) urging governments to include narcotic crop substitution projects in their national development programs when applying for assistance from the IFI's. Following this action, U.S. Executive Directors in the IFI's were again instructed to explore with IFI management the possibilities for (a) incorporating crop substitution components in projects being prepared for Board consideration and (b) future Bank identification missions to consider narcotic crop substitution in designing future agricultural projects while assuring themselves that such development assistance does not contribute to increased illicit production. IBRD officials have indicated that upon request, the Bank is prepared to make feasibility studies in narcotics producing countries and to assist in locating experts for that purpose.

Following the President's instructions in his August 2 drug abuse message to Congress, the U.S. solicited the view of the IBRD as to how the IFI's could do more to meet this world problem. In response, the President of the Bank has now stated that drug abuse issues have been of serious and continuing concern to the Bank; that, in agreement with recipient countries, the Bank is prepared to strongly support efforts to develop viable projects which would lead to a reduction in poppy and coca cultivation; and that the Bank will attempt to obtain assurances from governments that they will take all reasonable actions to prevent continuing drug plant cultivation in the project area. The Bank reiterated its views concerning the difficulties in trying to design effective crop substitution programs and stated it is essential that a broad based rural development approach be employed to reduce the production of drug crops, if costly failures are to be avoided.

Meanwhile, the Asian Development Bank (ADB) responded affirmatively to a U.S. request to include an anti-opium clause in a proposed irrigation project in Afghanistan and indicated preparedness to include, as appropriate, such a clause in future agricultural projects in narcotics producing areas. This action by the ADB together with the IBRD response indicates that the two principle IFI's concerned with development assistance in the poppy growing areas are prepared to obtain assurances from governments that such development assistance does not contribute to increased illicit cultivation in recipient countries. It is hoped that similar commitments will be made by other international development organizations such as the United Nations Development Programme (UNDP).

Findings and Conclusions

Because of the differences in climate, soil, social and economic conditions of the country and governmental attitudes and control, it is obvious that programs of income substitution must be individually tailored to the host country and that all steps must be taken in concert with that country. It is their development that is at stake and it is that country that will have to have the will and capacity to nurture the effort. It is also apparent that such programs deal with social change and that social change comes slowly. The experience in Turkey identified the pitfalls of expecting too much, too soon, and without taking into consideration important social, economic and political factors.

A further conclusion is that a major effort will be required to motivate governments to include narcotic related projects in their national development programming when applying for technical and financial assistance from organizations such as the UNDP and the IFI's. Diplomatic and economic initiatives should be mounted by the U.S., other donor countries and the international narcotics agencies to achieve this objective. Likewise, the U.S. should take steps to convene potential bilateral donors to target their assistance to narcotics producing areas, working in concert with the recipient government.

Recommendations

- An increased emphasis should be placed on income substitution programs linked with enforcement of crop suppression measures to reduce or eliminate the dependency of certain farmers on poppy, coca, and cannabis cultivation. Toward this end greater liaison should be established with Agriculture, AID, and ACTION, perhaps through assignment of staff to S/NM so that the State Department can more effectively (a) review the potential for income substitution programs in narcotics growing areas of producing countries, (b) assist host countries in developing economic alternatives to illicit narcotics cultivation, (c) persuade producing countries to include these alternatives in their domestic development plans and to aid them in obtaining financial assistance for such development, and (d) encourage international agencies, financial institutions and other potential donors to provide necessary development assistance to applicant countries.

- The Secretary of the Treasury should continue to seek the adoption by other International Financial Institutions (IFI's) of a policy similar to that set forth by the IBRD and to follow actions taken by these institutions to implement this policy designed to reduce the dependency of farmers on narcotics cultivation in developing countries. At the same time, the State Department should undertake further initiatives to motivate governments of major donor countries to: (a) urge producing countries to actively seek assistance in this area from the IFI's and other multilateral institutions; and (b) encourage their representatives to the IFI's to (1) use the influence of the banks to gain acceptance for such policies from recipient countries; and (2) use the leverage of the banks to develop alternatives to narcotics production.

E. FINANCIAL TRANSACTIONS

The exorbitant profits derived from the narcotics traffic are just as important targets of control as the drugs themselves. History is not without precedents of economic instability and political turmoil due in large part to financial manipulations by individuals who have attained their position through illegal activities. To place the financial rewards of the narcotics traffic in their proper perspective, one might compare the gross retail sales on an annual basis of such a highly visible and legitimate commercial enterprise as McDonald's (slightly over \$1 billion) with DEA's conservative estimate of the retail narcotics and dangerous drug sales (\$10 billion). Narcotics is clearly a multi-billion dollar industry which explains the persistence with which traffickers can accept great losses of money, men, and material and still continue to function. This tremendous flow of currency within and among trafficking organizations, however, cannot be concealed as easily as the drugs themselves. At some time the illicit profits have to show up in a banking system.

The Federal Government's approach to this problem, is currently directed toward:

1. Obtaining financial evidence of narcotics trafficking for enhanced prosecution and other judicial functions,
2. Seizing trafficker capital and operating funds, and
3. Assessing and collecting income tax on their profits.

The need for a specific attack against traffickers' financial resources stems from the realization that conviction and incarceration do not necessarily disrupt trafficking organizations; the acquisition of vast capital permits regrouping and the incarcerated high-level trafficker can direct his organization's resources toward the accumulation of further illegal narcotics profits. All too often, incarceration does not occur; large sums are easily posted for bail, and the trafficker flees, shrugging off the resources thus lost as an anticipated and acceptable cost of doing business.

Experience has clearly shown that trafficking organizations are not limited by any geographical boundaries or restricted to financial transactions within a specific country. The financiers behind the narcotics traffic have long been a primary target category, albeit difficult to pursue because of the layers of insulation between this class of trafficker and the actual commodity trafficked. Many of their financial transactions, however, can be more easily pursued through: (1) the careful scrutiny of financial reporting and recordkeeping required under existing statutes; (2) the exchange of financial information among U.S. agencies and foreign countries; and (3) the application of financial information for enhanced prosecutions. The Department of the Treasury (specifically the Office of Law Enforcement, the IRS, U.S. Customs) the Department of Justice, DEA, and the Department of State are involved, to certain degrees, in all of the above activities directed toward the eventual immobilization of narcotics trafficking organizations.

Financial Reporting and Recordkeeping

On October 26, 1970, Congress enacted Public Law 91-508, commonly known as the "Bank Secrecy Act." Title II of this act is also known as the "Currency and Foreign Transactions Reporting Act" (31 U.S.C. 1051 et seq.). The Bank Secrecy Act was intended

"to furnish American law enforcement authorities with the tools necessary to cope with the problems created by the so-called secrecy jurisdictions."

Foreign bank accounts provide unique opportunities for any individual to conceal income from criminal activities and unreported profits and dividends from the transaction of securities, thus leading to underreporting or non-reporting of income for tax purposes. The

Bank Secrecy Act, though intended to penetrate these complex transactions, is limited to requiring financial reporting and recordkeeping. This law has not and cannot stop the covert transfer of monetary credits in international commerce. While the initial bill grew out of concern over the use of foreign bank accounts by criminal elements and others to evade income taxes and hide the fruits of their illegal activities, it also reflected Congressional concern over the availability of records maintained by domestic financial institutions and needed to document organized and "white collar" crime.

Under the act, banks, savings and loan institutions, securities brokers, dealers in foreign exchange, agents of foreign banks, and other institutions are required to retain the specific records concerning the extension of credit and the transmission of credit funds out of the United States. With the exception of securities brokers and dealers in foreign exchange, all of the above institutions or individuals are also required to retain a wealth of financial data such as records of accounts, of checks in excess of \$100, and of certain checks issued by foreign banks.

In addition to financial recordkeeping regulations, Title II of the Bank Secrecy Act specifically called for reporting (1) any unusual domestic currency transactions in excess of \$10,000, (2) the international transportation of currency and certain other monetary instruments in excess of \$5,000 except by banks, and (3) the ownership of a foreign bank account on a person's Federal income tax return. This information, under the proper circumstances, could alert law enforcement officials to unusual transactions that might warrant investigation and provide a system for detecting and documenting crimes committed for economic gain. To assure compliance with these reporting requirements as well as the recordkeeping regulations, the Secretary of the Treasury has delegated his responsibility to the appropriate bank supervisory agencies or regulatory agencies (the Comptroller of the Currency, the Federal Reserve System, the FDIC, the SEC, the Federal Reserve Home Loan Bank Board, the National Credit Union Administration, IRS and Customs). The Office of the Under Secretary of the Treasury has been delegated the overall responsibility for coordinating the procedures and efforts of the agencies listed above and for assuring compliance with the regulations.

In May 1977, the Subcommittee on Government Operations submitted its report on the effectiveness of the Bank Secrecy Act and several recommendations to the Department of the Treasury and

the Internal Revenue Service. Essentially the recommendations addressed more effective implementation of Treasury's regulations and the need to achieve cooperation between Government agencies in the exchange of information obtained through the Bank Secrecy Act. The Department of the Treasury has already taken specific actions in those areas of the Bank Secrecy Act which were affected by the Tax Reform Act of 1976. The Department is also currently revising the Bank Secrecy Act regulations and anticipates a more aggressive role in the future.

The Exchange of Financial Information Among U.S. Agencies

With this wealth of information maintained by the financial institutions and collected by U.S. Federal agencies, there is an attendant need to exchange this information with all appropriate U.S. agencies so that this information can best be used to immobilize narcotics trafficking organizations. The IRS participation in this exchange of information is limited by the anti-disclosure provision of the Tax Reform Act of 1976. Thus IRS, one of the principal financial agencies is restricted and often precluded from sharing tax information by law.

Specific liaison programs have been developed to provide for the timely exchange of other cash-flow information relating to, or resulting from, organized crime and narcotics smuggling activities. The U.S. Customs Service compares reports^{1/} of international transportation of currency or monetary instruments with the computer records of other Federal agencies, thus providing an interface of currency transportation information with files on persons known or suspected of criminal activity.

Under this same statute, the Internal Revenue Service maintains reports of any apparent violations of the recordkeeping requirements by any financial institutions whose records are examined during the course of a tax audit, investigation or third-party inquiry. These reports are forwarded to the Treasury Department for review and possible referral to the appropriate bank supervisory agency. Additionally, all Currency Transaction Reports^{2/} for domestic currency transactions of more than \$10,000 are filed with the IRS. These reports which may trigger an income tax audit or investigation are also made available to other law enforcement agencies by the Department of the Treasury's Office of Law Enforcement.

^{1/} Customs Form 4790

^{2/} IRS Form 4789

Although not statutorily responsible for collecting or maintaining financial information, DEA does collect and exchange narcotics related information which specifically deals with the financial profits derived from the traffic. In early 1976, a financial intelligence project was initiated within DEA to specifically examine the funding operations of major narcotics conspiracies. The office is responsible for providing a strategic overview of the methods used by drug traffickers to conceal fiscal transactions and for the development of counter-measures to neutralize or reduce a trafficker's operating funds. To this end, DEA has submitted to IRS the names of 579 Class I and II narcotics violators on which IRS had initiated 113 criminal investigations and referred 252 names to its Audit and Collections Division as of December 31, 1977. The IRS has also requested information from DEA on 219 other traffickers and financiers who are currently subject to criminal tax investigations and has authorized disclosure of information to DEA on 828 suspected narcotics traffickers including the 219 under investigations.

The Treasury Department's Office of Law Enforcement identifies and furnishes to DEA certain currency transaction reports and reports of the international transportation of currency. During 1977, this office provided DEA with more than 600 domestic currency reports reflecting transactions in excess of \$100,000,000 and more than 100 reports of the international transportation of currency or monetary instruments. Some of these reports have been the basis for DEA investigations that have uncovered multi-million dollar illegal drug operations.

In sum, there are four agencies or offices (DEA, IRS, Customs and Treasury's Office of Law Enforcement) that exchange financial information among themselves and with other appropriate law enforcement agencies to initiate either financial investigations and narcotics related tax audits or narcotics prosecutions supported by financial evidence. There are, however, certain limitations imposed on these agencies, primarily by the Tax Reform Act of 1976, which restrict the flow of this information. These restrictions have been discussed in greater detail in both the Drug Law Enforcement Study and the Narcotics Intelligence Study.

Exchange of Financial Information with Foreign Countries

The strengthening of laws and conclusion of treaties relating to the financial aspects of the narcotics traffic are long term objectives of our U.S. international narcotics control policy. As

traffickers are forced to shift into decreasingly sound investment havens, their risk in doing business increases. That which threatens a trafficker's profit can only have a positive effect on our overall narcotics control program.

Essentially, there are four ways whereby the U.S. and foreign countries can exchange financial information relating to criminal matters, specifically narcotics activities.

1. Single Convention of Narcotic Drugs, 1961 The Convention provides a mechanism for the international exchange of financial information. Articles 35 and 36 enable foreign governments to exchange the records of financial operations connected with illegal narcotics trafficking activity.

2. Mutual Assistance Treaties These treaties provide for broad cooperation between two countries in criminal matters and with respect to narcotics affairs provide an increased emphasis on the exchange of information authorized by the Single Convention. The treaties provide for assistance in obtaining banking and other records, locating and taking testimony from witnesses, and the service of judicial and administrative documents. The judicial assistance treaty with Switzerland, effective January 1977, is a first, and can, with some modification, serve as a model for similar treaties to be concluded with other nations. One of the primary features of this type of treaty is that cooperation is to be provided at the investigative stages of a case, as well as during the judicial phases. Treaties have been proposed with the Bahamas and Mexico, and efforts are planned to conclude agreements with other nations used by traffickers as financial havens.

The Swiss treaty does not create any new crimes in either country. It is limited to providing to each country additional evidence and information for use in investigating or prosecuting the crimes established by domestic law of that country. It is intended to allow each of the countries to overcome some of the problems presented in obtaining information or evidence concerning activities taking place outside of that country in furtherance of crimes committed in that country. Most requests for assistance under the treaty are expected to be executed by the appropriate authorities in the two countries at the request of their respective Departments or Ministries of Justice.

3. Income Tax Treaties Except in certain organized crime situations, tax crimes are excluded from judicial assistance or mutual assistance agreements. There are, however, thirty-nine Income Tax Treaties currently in effect between the United States and other countries. All treaties except the one with the USSR provide for a limited exchange of financial information in the administration of the tax laws of the treaty partners.

4. ECOSOC Resolution A 1977 ECOSOC resolution, sponsored by the United States, urged all governments to make narcotics financing a punishable offense and to exchange information on persons committing such crimes. With this endorsement by the U.N., and the exchange of financial information under mutual assistance treaties, income tax treaties and the Single Convention, both U.S. and foreign law enforcement agencies should be able to begin to immobilize the financiers of the international narcotics traffic.

Application of Financial Information

The collection and exchange of financial information alone cannot significantly disrupt or immobilize trafficking organizations. Enforcement of the recordkeeping and reporting requirements previously discussed and the levying of the appropriate civil and criminal penalties are two ways of achieving this objective. The application of the forfeiture provisions of the Continuing Criminal Enterprise and the Racketeer Influenced and Corrupt Organization Statutes (RICO)^{1/} by the Department of Justice serves as another means of affecting the financiers behind the narcotics traffic. These statutes basically outlaw the acquisition of legitimate enterprises through illicit means or illicitly acquired gains. Substantial criminal penalties include a maximum imprisonment of 20 years and fines up to \$20,000 for each violation, as well as forfeiture of acquired equity.

Although there are currently no internal revenue taxes imposed on narcotics, the profits derived from narcotics trafficking are subject to Internal Revenue Service laws and subject to tax. The program of civil and criminal income tax audits and investigations conducted by the Internal Revenue Service has been an effective means of denying profits to narcotics traffickers. Since 1971, the IRS has conducted 2,270 criminal investigations and recommended

^{1/} 18 U.S.C. 1961-1964

prosecution in 855 cases. Indictments were returned against 422 mid- and high-level narcotics traffickers of whom 361 have already been convicted.

In addition to the RICO Statute and Internal Revenue Service laws, the recent "Nebbia Hearing" provides an opportunity to use financial information to ensure the detention of high-level traffickers. There have been many instances where a large cash or surety bond has been met by significant traffickers with their illegal profits. In the "Nebbia Hearing" the defendant must satisfy the court by proving that the money or property utilized for the bond was not derived from his narcotics trafficking activities.

Findings and Conclusions

1. There is a gap in Federal regulatory authority over domestic branches of foreign banks in that there is no routine inspection of these banks for proper compliance with the record-keeping provisions of the Bank Secrecy Act. DEA and IRS case files indicate that narcotics traffickers have been taking advantage of this weakness in present enforcement procedures. The problem stems from the fact that no Federal bank supervisory agency has the authority to examine these banking offices for compliance with normal banking laws. The Treasury Department is currently discussing the problem with the bank supervisory agencies and expects the matter to be resolved in the near future.

2. With four Federal agencies and at least five bank supervisory agencies maintaining financial records and reports which could possibly be used in financial investigations relating to the narcotics traffic, there is merit in the establishment of a central repository within the Treasury Department for all banking and currency transaction information.

3. DEA has information which tends to support a need for mutual assistance treaties with approximately ten nations. However, it has taken what seems to have been an inordinate amount of time to finalize the Swiss Treaty and it appears that current negotiations with two other countries over mutual assistance agreements are proceeding slowly.

4. Although there are many advantages to the provision of law which requires the reporting of currency transportation,

several legislative changes of this section of the Act are needed to improve its effectiveness.

- a. Without authority to make warrantless searches, Customs enforcement of the law is hampered, since probable cause to conduct an outbound search is not present until a suspect is about to depart the United States. When probable cause is present it is not usually practicable to obtain a warrant because of the imminence of departure.
- b. While the present law prohibits the unreported transportation of monetary instruments, it does not make it a violation to attempt to transport unreported currency. Recent court decisions have held that a violation cannot occur until the monetary instruments have in fact departed the United States.

5. Use of the "Nebbia Hearing" by the courts has been limited primarily to the New York area and to local court discretion or precedent. At this time the "Nebbia Hearing" is not statutorily authorized and consequently infrequently used by U.S. Attorneys as a means to keep wealthy high-risk traffickers incarcerated and denied access to funds generated by their illicit trafficking activity.

Recommendations

- The Department of Justice, together with the Departments of State and Treasury, should systematically review those countries with whom it would be most advantageous to have Mutual Assistance Treaties modeled after the judicial assistance treaty with Switzerland and give high priority to negotiating such treaties. Selection of the countries with whom such treaties would be proposed should be based on importance to our narcotics control efforts, and directed toward gaining further cooperation in obtaining banking and other records, in locating and taking testimony from witnesses, and in the service of judicial and administrative documents.
- The Departments of Treasury and Justice should review their present efforts in the tax and currency aspects of narcotics trafficking to determine what additional steps might be taken and, based on their experience, propose legislation or other action dealing with any deficiencies in authority

including those pertinent to currency and foreign financial transactions which might facilitate control over currency and assets resulting from the illicit export of narcotics. In addition the Department of the Treasury should take steps to centralize all banking and currency transaction information and take the necessary measures to ensure that the Federal bank supervisory agencies have the authority to examine domestic branches of foreign banks for compliance with U.S. banking laws.

F. ARREST AND PROSECUTION

All too often the painstaking work required in putting together an important case involving the international trafficking of large quantities of narcotics or a major conspiracy to do so, is frustrated by the flight of a fugitive or key witness from the United States or by the fact that a suspected trafficker never left the country of residence and never came within the legal jurisdiction of this country. Hence, it was and is sometimes impossible for the U.S. Government to make an arrest or to prosecute such an individual.

With the shift from Turkish to Mexican grown heroin in 1973, a major increase occurred in the trafficking by Mexican nationals and Americans of Mexican descent. The proximity of the two countries made flight from U.S. jurisdiction less difficult and close family ties with persons already in this country made it unnecessary for some major figures in the narcotics trade to expose themselves to U.S. jurisdiction. Moreover, Mexican law and practice does not permit the extradition of Mexican nationals.

Operation JANUS

To deal with this problem, the Government of Mexico agreed in 1975 to a unique joint prosecutorial procedure in which Mexican traffickers are prosecuted in Mexican courts on the basis of evidence and information developed against them in the United States. In 1976, the first case was presented to the Mexican Federal Courts in Tijuana, and the defendant's conviction has been upheld by the Mexican Supreme Court.

The primary targets of Operation JANUS are the major sources of supply into the United States. Prosecutions under the JANUS

concept are directed to those Mexican-based traffickers who are;

1. Capable of handling one-half kilo or more of pure heroin or one kilo of cocaine per month;
2. A significant source of supply of controlled substances in a particular geographical area; or
3. United States fugitives and other selected suspects residing in Mexico who are major violators.

Grand jury testimony of DEA agents, cooperating individuals, and other witnesses that relate to the source of supply in Mexico is extremely important in JANUS cases.

Since the inauguration of this program, DEA and the Government of Mexico have jointly initiated 65 cases involving 135 defendants in Mexico and 58 arrests have been made. Six JANUS defendants have been sentenced to eight-year prison terms.

JANUS also involves the prosecution of Mexican residents who have committed criminal acts in the United States and then fled to Mexico to avoid prosecution. More than 500 fugitives are believed to be in Mexico. The prosecution of these fugitives removes from them the safe haven they previously enjoyed. For a fugitive to be prosecuted:

1. The violation must be a crime under existing criminal codes of both the United States and Mexico;
2. The defendant must not have been convicted for the same violation in the United States; and
3. The fugitive must be a Mexican citizen.

A key aspect of the program of prosecuting traffickers in Mexico on the basis of evidence and information developed against them in the U.S., is that Mexican Consular Officers throughout the United States, under Mexican law, assist the Federal Judicial Police by authenticating documents and subscribing witness testimony. Mexican trial attorneys prepare the cases, in many instances in the United States with the cooperation of U.S. authorities.

The Narcotics and Dangerous Drug Section of the Criminal Division, Department of Justice, with the cooperation of the Department of State and DEA is in the process of implementing a judicial cooperation program with Colombia and possibly other

Latin American countries which are important sources of U.S. bound narcotics and controlled substances. These programs, like JANUS, seek the prosecution of foreign drug violators and fugitives who are beyond the reach of U.S. law.

Findings and Conclusions

Operation JANUS represents a major step in joint cooperation between two adjoining countries in dealing with a problem of major concern to each and its further refinement and extension to other countries should be encouraged. Care should be taken, however, to recognize its limitations. For example, only defendants in the United States who have not been convicted, can be tried in Mexico in connection with the same case. If a defendant is convicted in a U.S. trial and flees the country while on bail, he becomes a fugitive, but because of double jeopardy is not subject to trial in Mexico under Mexican law. This is further complicated by the Mexican policy against extradition of its nationals or even Mexican-Americans (regarded by Mexico as dual citizens) who are in this fugitive category. Nevertheless, the program increases the risk of engaging in the drug traffic between the two countries and, thus deters some major figures from that traffic.

Letters Rogatory (Request for International Judicial Assistance)

Another device available for use in prosecuting defendants on the basis of evidence from another country is the Letter Rogatory or Request for International Judicial Assistance. This procedure, rooted in common law and reinforced by statute,^{1/} is a formal request for assistance from the judiciary of the United States to the judiciary of another country. The request involves such judicial acts as issuing a subpoena to testify or produce documents, taking depositions, or other similar evidence gathering mechanisms in the requested country.

There are, however, some significant drawbacks to the use of Letters Rogatory such as cumbersome administrative procedures, slow responses, and the lack of legal assistance for these matters in most Embassies. As a result, in 1977, of the 11 Letters Rogatory sent by the U.S. Government to different countries, only one was effective and two partially effective. Of the remaining eight, four were refused, two responses were overdue, one was withdrawn and the other is too recent for results.

^{1/} 28 U.S.C. 1782.

Improvements in speed of translation, the provision of legal assistance to Embassies, and the reciprocal representation of the U.S. by the foreign justice ministries could make the process more effective. (The Department of Justice represents foreign countries in the U.S. Courts where Letters Rogatory are concerned.) Some of these matters can be dealt with unilaterally, others require the cooperation of the foreign government and due to their complexities, the establishment of treaties with the principal countries concerned in the narcotics traffic may be warranted.

Extradition

The United States has extradition treaties with over 80 countries and the majority of these treaties include narcotics offenses as extraditable offenses. All new extradition treaties or amendments to existing treaties include narcotic offenses. However, the Single Convention on Narcotic Drugs, as amended, has the legal effect of amending existing extradition treaties between parties to the Convention to include narcotic offenses among extraditable crimes. Success in achieving extradition is, however, dependent on the nationality of the individual whose extradition is sought. Most countries will not, as a matter of domestic law or policy, extradite one of their own nationals and almost all of the extradition treaties, as well as the Single Convention, recognize that sovereign right.

There are several problems which limit the possibilities of successful extradition:

- Some countries, principally the United Kingdom and Canada, do not permit hearsay evidence at any point in the criminal process and will not honor a request if the case for which extradition is sought is based in any of its parts on such evidence.
- Extradition for conspiracy cannot occur if conspiracy is not a crime in the country from which extradition is sought, as for example, France.
- Some countries will not extradite in cases based in whole or part on evidence secured through an undercover agent, the so-called "Agent Provocateur."

- The administrative procedures -- complex and often time consuming -- requiring certification and exemplification of documents, translation, and transmission through diplomatic channels -- and, occasionally the prescribed period for provisional detention may expire before the documents can be processed.

While extradition is a useful tool for curbing the activities of traffickers, broader coverage by extradition treaties and improvements in the extradition process are necessary if its maximum value is to be achieved.

Recommendations

- The Department of Justice should develop and present to the Department of State a list of specific problems related to cooperation with foreign governments which presently inhibit them in providing information necessary for the prompt arrest and prosecution of traffickers. These should be reviewed by the Department of State and, with the Department of Justice, a program should be developed and initiated to deal with these matters. Possible initiatives might include prisoner exchange treaties, quicker translation of documents, follow-up legal assistance to embassies, reciprocal representation of the U.S. by foreign Ministries of Justice, improvement of extradition process, simplification of administrative processes, and others.

V. INTERNATIONAL DEMAND REDUCTION

A. BACKGROUND

The production and supply of illicit narcotic and psychotropic drugs are, to a significant degree, a function of demand. Without their consumption, there would be no incentive to produce and little profit in trafficking. Thus, it can be reasonably argued that the economic dynamics of international drug trafficking and drug control are linked inextricably with drug consumption.

The White Paper on Drug Abuse, the first public document to set forth an international demand reduction policy, forcefully acknowledged this relationship in stating that:

"Supply reduction and demand reduction are not only complementary in that one compensates for the limitations of the other, they are also interdependent, in that increases in the resources devoted to one activity will be most effective only if increased resources are simultaneously devoted to the other." (p. 4)

Prior to the White Paper, international demand reduction did figure in the policy decisions of the Special Action Office for Drug Abuse Prevention (SAODAP) and the Cabinet Committee on International Narcotics Control (CCINC). Through the CCINC Subcommittee on Treatment and Prevention, chaired by NIDA, international demand activities were reviewed, approved and coordinated. In 1976, specific CCINC guidelines were updated and revised to reflect an increased emphasis on these demand reduction activities and to encourage all U.S. embassies to develop strong programs within their Narcotics Control Action Plans.

One of the dilemmas faced in promoting such activities is the current policy to target international drug abuse resources primarily to "priority" countries based on their importance in the supply of illicit drugs. Programs to stimulate or support the interests of countries outside of the priority group are limited even though such countries may be willing to develop or expand their current demand reduction efforts. While there is no quarrel with the idea of "priority" setting, it appears that the concept has been narrowly drawn in the sense that the criteria for selecting "priority" countries was assumed to be the same for demand activities as for supply activities.

International demand reduction received renewed attention in the 1976 Federal Strategy on Drug Abuse Prevention and was forcefully enunciated as a U.S. program objective in the President's August, 1977, Message to Congress which states:

"I will, in addition, promote the international sharing of knowledge and expertise in the treatment of drug abuse. We will make a special effort to share our experience, especially with those nations which have serious drug problems and which are working with us in the effort to control drug sources and prevent drug abuse."

The importance of demand reduction as part of a balanced international drug control program cannot be overstated. International demand reduction activities not only achieve specific salutary benefits for people throughout the world but also serve as a means of convincing other governments of the immediacy and seriousness of the worldwide drug problem. Once convinced, these governments are frequently more inclined and willing to cooperate in international efforts to control illicit drug trafficking.

Despite the impetus in recent years, the so-called demand component of U.S. international narcotics control activities has received modest attention. NIDA funding for international activities was \$1.3 million in fiscal year 1977, more than half (\$780,000) of which was for research activities. These funds are awarded through grants, involving a peer review process, or through contracts and were not part of an international program per se but rather part of a research effort. The INC budget of \$39 million for FY 1978 as proposed to Congress included approximately \$1 million for demand activities. Other demand activities, as reflected in this report, are even more minimal and there are fewer than 10 people in the Federal Government dedicated to international demand reduction activities.

Basically the U.S. policy towards international narcotics control has undergone a gradual evolution of objectives. Historically, it was directed towards the reduction of illicit drug supplies and later towards the control of availability. Today, increased attention is also being paid to the prevention and control of drug abuse.

The United States cannot undertake to treat the addicts of Asia, Latin America or other regions of the world. Aside from the sheer practical impossibility of the task, such activity would not in itself ensure that the flow of illegal drugs to the United States would be curtailed. Yet illegal drug consumption in other countries is increasing and does support a significant portion of the total

productive capacity. For this reason and many strategic and humanitarian concerns, it is in our best interest to encourage and facilitate the development of national drug demand reduction programs in countries with substantial drug abuse problems in the context of that country's overall health policy. By addressing the drug problems in these countries, a more sympathetic understanding of the international nature of drug problems often occurs. Efforts to assess and respond to local problems by other countries should develop experience and, in time, leadership in each region which will support and strengthen the international framework and U.S. bilateral efforts.

B. PRIMARY U.S. AGENCY INVOLVEMENT

Twelve offices, agencies and departments of the U.S. Government are involved, to various degrees, in international demand reduction. Those within the Department of Health, Education, and Welfare are NIDA, Food and Drug Administration (FDA), the Office of Education, and the Rehabilitation Services Administration. Those within the State Department are S/NM, the Office of Medical Services, the Bureau of Educational and Cultural Affairs, the Office of Special Consular Services and the Bureau for International Organizations. Other agencies are the USIA, DEA and the Department of Defense. Of these NIDA and S/NM are the principal agencies and offices concerned and involved in international drug abuse, prevention, education, treatment and rehabilitation. The Department of Defense (DOD) is involved in the prevention, education, treatment and rehabilitation of DOD personnel; the others are engaged in one or sometimes two areas of international demand reduction. All of the Federal agencies and departments pursue their limited activities in international demand reduction as an extension of authority to deal with various aspects of drug abuse rather than under an explicit charter to reduce drug problems among foreigners or U.S. citizens abroad.

The National Institute on Drug Abuse (NIDA)

The National Institute on Drug Abuse (NIDA) is the principal agency in the United States for demand reduction activities. Like supply reduction, however, demand reduction crosses the limits of

all geographic boundaries and, as such, must inevitably entail certain international activities. Based indirectly on HEW's legal authority for international health activities in Public Laws 86-610 and 93-353, NIDA does pursue specific international demand reduction activities to:

- a. Increase our knowledge and understanding of drug abuse,
- b. Increase other countries' awareness and response to their own drug abuse problems, and
- c. Strengthen the overall international framework for drug abuse prevention.

To accomplish these objectives, NIDA has expended the following during FY 1977:

Research grants and contracts	\$ 780,073
Contract for training and technical assistance	400,000
Treatment demonstration project	99,500
Staff travel	36,000*
	<u>\$1,315,573</u>

*Net of reimbursements

Basically, NIDA's international activities entail information exchange, briefing international visitors, technical assistance, training, research, treatment demonstration projects, and international meetings and conferences. Technical assistance is provided to foreign governments and international organizations which request U.S. assistance in developing demand reduction plans and programs. Qualified experts are sent to foreign countries to assist in the assessment of the nature and extent of the drug problems, and the necessary treatment, rehabilitation and prevention required to cope with them. During the last three years, NIDA spent approximately \$125,000 for on-site technical assistance to 13 different countries, primarily in Southeast Asia and South America. Such assistance is provided through a NIDA contract, with reimbursement of costs to NIDA by the State Department (S/NM).

During the past year, NIDA has greatly expanded its international training effort. A budget of \$400,000 was recently added to NIDA's contract with the National Drug Abuse Center (NDAC) to provide for an International Training and Support

Program. Two full-time staff positions were also added to NIDA to develop and carry out international training programs. Once fully underway, NIDA's international training program is planned to provide training both within the United States and in other countries. The emphasis will be placed on "training of trainers" to help other countries develop their own capability.

In addition to training, research contracts and technical assistance which represent the bulk of NIDA's international budget, the Institute supports an active international visitors' program and promotes the exchange of information on demand reduction between the United States and other countries or international organizations. During the past year NIDA has published, and sent to all U.S. embassies, a package of basic books and documents which provide an overview of the health and social aspects of drug abuse and approaches to treatment and prevention. A descriptive list of additional reports and publications available from NIDA, categorized by subject area, has also been sent to the narcotics coordinators in the U.S. embassies.

In a few selected high priority countries, NIDA has provided support for the development of drug abuse treatment and rehabilitation programs which can serve as regional demonstration projects to stimulate further development and expansion of treatment services by the government in those countries and regions. For example, NIDA has worked with CEMEF (the counterpart of NIDA) in Mexico to develop a treatment program near the U.S./Mexico border which would serve both Mexican and Mexican/American addicts. NIDA also provided technical assistance to develop a proposal for treatment demonstration projects in Bangkok and other cities in Thailand.

All of these programs are coordinated closely with S/NM in the State Department and international research projects receive State Department clearance prior to funding. To facilitate this coordination a NIDA liaison officer has been detailed to S/NM for the past several months to prepare a comprehensive demand reduction plan for S/NM funding in the current fiscal year as well as a projected plan for Fiscal 1979. In addition to S/NM, NIDA works closely with DEA and State's Bureau of Educational Cultural Affairs to coordinate international visitors' programs.

Except for a small corps of permanent staff to plan and manage the program, the primary need is to utilize mechanisms that can make personnel with specialized skills readily available for relatively short periods of time for services in a number of foreign countries. Such skills must include subject matter

specialities as well as, to the extent possible, language capability. Any administrative and other procedures which impede the ready acquisition and deployment of such personnel must be overcome if a viable program of assistance is to be provided.

Office of the Senior Advisor to the Secretary and Coordinator for International Narcotics Matters (S/NM), Department of State

The Office of the Senior Advisor for Narcotic Matters within the State Department has, historically, been the primary focal point for all international drug abuse activities. Overall policy direction and major funding for demand reduction programs abroad have and continue to be provided by this office.

As seen below only modest International Narcotics Control (INC) Program funds have been committed to drug demand reduction.

International Narcotics Control Program
Annual Demand Reduction Budget Obligations

<u>Fiscal Year</u>	<u>Obligations (\$000)</u>
1972	---
1973	5
1974	156
1975	56
1976	179.4
Transition Quarter	159
1977	313
1978 estimate	1,008

The statutory basis of the INC Program is found in Section 481 of the Foreign Assistance Act which authorized the President to:

"Conclude agreements with other countries to facilitate control of the production, processing, transportation, and distribution of narcotic analgesics, including opium and its derivatives, other narcotic drugs and psychotropics, and other controlled substances as defined in the Comprehensive Drug Abuse Prevention and Control Act of 1970."

Although this authorizing language does not refer explicitly to drug demand reduction, policy-makers have proceeded under the assumption that demand reduction activities fall within the definition of programs that "facilitate control" of illegal drugs.

In the past, demand reduction programs within the INC Program were developed primarily by NIDA staff. Generally, demand side projects were developed independently and submitted through normal State Department channels for review and funding. This process has led to frequent problems because project development was divorced from overall budget planning.

To improve planning coordination, the NIDA Liaison Officer in S/NM is responsible for preparing a demand reduction strategy and implementation plan. This plan will be integrated into the overall INC Program strategy, thereby ensuring that demand reduction projects are developed in a manner consistent with available resources and priorities.

In addition to integrating demand reduction into overall INC Program planning, S/NM intends to play a larger role in demand reduction program implementation during FY 1978. In this regard the chief limitation on expanded demand reduction activity appears to be immediate staffing and not increased funding. Demand reduction activities do not require many costly commodities but they do involve a good many people. In the field there are few people familiar with demand issues, problems and opportunities and, since the INC appropriation does not specifically address demand reduction activities, there has been justifiable reluctance to use INC funds. Furthermore, INC funds have, by policy decision, been directed toward developing countries rather than developed countries where demand reduction assistance is frequently more acceptable. Possible solutions to these problems might entail the direct hire of personnel or contract for services on a Participating Agencies Service Agreement (PASA) basis.

Findings and Conclusions

1. There should be two primary goals in the international demand area:
 - to encourage other countries with drug abuse problems to more systematically assess and respond to their own drug problems; and

- to develop and make available practical models of response in the prevention, treatment, and rehabilitation area, and to promote the exchange of information which would stimulate the development of such models.

The cost of these activities is relatively modest and should not be considered to embrace funding large service delivery systems in other countries, but rather should be limited to stimulating and promoting the two primary goals articulated above. An element in achieving the first goal might well include advising those countries with drug abuse problems in installing a reporting system such as the Drug Abuse Warning Network (DAWN) now in place in the United States and in establishing an evaluation system.

2. U.S. international efforts to reduce the drug abuse problem have been directed primarily toward the control of illicit supplies. Although efforts to reduce demand overseas have increased, these have been extremely limited and undertaken on an ad hoc basis without solid legislative or policy foundation for most of the agencies involved. It appears that there is no adequate legislative base, or clear mandate, for any U.S. agency which would allow these agencies to carry out international demand reduction programs overseas. Although White House and Departmental initiatives could bring about an expansion, serious questions would remain about legal authority for this policy.

3. It appears that there is no systematic overview of efforts by countries or international organizations which would summarize their demand reduction activities. Most of their statements are project reports, philosophical treatises or administrative summaries. Typically, they are reports of domestic activity rather than outcome or empirical findings.

4. Coordination of existing U.S. Government, international organizations, and host country efforts in demand reduction is carried out primarily by information exchange and periodic personnel contacts among the representatives involved. Inside the U.S. coordination of international demand reduction efforts depends upon personal contacts.

5. In some instances, the rationale for country selection of demand activities may be different than for country selection of supply reduction activities. One of the consequences of not distinguishing between separate or parallel priorities is that little emphasis is given to U.S. demand activities which may make a difference outside of the current "priority" countries.

A case of point is Western Europe which has a reasonably well-trained professional drug law enforcement cadre which can mobilize anti-trafficking campaigns. An existing network of formal and informal cooperation exists between countries on a bilateral and multilateral basis, and the Drug Enforcement Administration (DEA) and the Customs Service are well linked to these efforts. In addition, in most of these countries there is a tradition of providing broad social (health and welfare) services and the capability to support specialized drug abuse demand activities, often lacking in other areas. These predicates suggest that Western Europe is an ideal area in which to develop other national role models which establish that drug abuse can be controlled by conscious and concentrated government action and some technology can be transferred in part from other national experiences: thereafter these governments could assist in developing countries having drug problems, thereby further "institutionalizing" current efforts. In other words, these countries can make a difference in their own drug problems as well as in those of other countries. Yet under current policies, international demand activities are not supported in Western Europe because there are no "priority" countries in this area.

6. Demand reduction projects should be part of and support an integrated U.S. drug abuse program dealing with both supply and demand. They should be designed so as to visibly demonstrate to other governments that the U.S. is concerned with the demand and health aspects of their drug abuse problem as well as their supply and law enforcement aspects.

Recommendations

- Greater assistance should be available to foreign governments in developing and conducting demand reduction programs. Such assistance should be limited to training, research, reporting systems, evaluation and provision of technical "knowhow" rather than the direct operation of such programs although authority to accept contracts to establish and operate demonstration programs is desirable. The Department of Health, Education, and Welfare should review with the Department of State all administrative impediments to utilizing skilled personnel on a short-term basis and the adequacy of present authority to conduct such activities in both developed and developing countries and propose any needed changes in procedures and program authorization.

- In addition to fulfilling their present roles, DEA overseas personnel, State Department Narcotics Coordinators, and former AID Public Safety personnel overseas should be trained to place a greater emphasis on demand reduction measures and to provide information, communication, and liaison support services on such measures to host countries.

C. OTHER U. S. AGENCY INVOLVEMENT

International Drug Abuse Prevention and Education

Drug abuse prevention and education sponsored by the U.S. Government encompass a wide variety of activities in international demand reduction ranging from providing or loaning of films, publications or exhibit material to host country agencies or U.S. citizens abroad by USIA, DEA, the military services and the State Department's Bureau of Consular Affairs; to participants in programs for foreign visitors interested in education and prevention programs conducted by the Office of Education, State Department's Bureau of Educational and Cultural Affairs, and DEA.

Within the Department of Defense, all of the military services sponsor drug abuse prevention programs abroad. Primary emphasis is placed on careful screening of prospective recruits to prevent drug abusers from entering the service and next on educational efforts to keep the service member from becoming involved with drugs. These education and prevention programs, conducted by the military departments overseas are not appreciably different from those conducted within the United States. Emphasis may vary, however, depending upon the drug available and the seriousness of

the problem. At present, the United States has about 467,000 service members deployed abroad. Accompanying them are about 30,000 U.S. civilian employees and 336,000 dependents. The bulk of the overseas force is located in Europe and of these 224,000 military, 18,000 civilian employees and 161,000 dependents are stationed in the Federal Republic of Germany. The Department of Defense does not have the drug epidemic situation overseas of the Vietnam era, but drug abuse in the Armed Forces will continue to be a problem and only by continued, persistent efforts will the DOD be able to moderate the adverse consequences of such drug use.

The Bureau of Consular Affairs of the State Department has prepared some pamphlets and radio and TV spots warning travelers about the dangers of using drugs in other countries. The Office of Special Consular Services within the Bureau is primarily concerned with providing certain emergency services to the more than 1.3 million private U.S. citizens overseas, including those incarcerated in foreign jails, and with claims and deaths involving U.S. citizens. There are no available estimates of the size and nature of drug abuse among these individuals who are widely dispersed throughout the world. There are no demand reduction programs for private U.S. citizens abroad sponsored either by the State Department or any other agency or department of the Federal Government.

International Rehabilitation and Treatment

In discussions on drug abuse, rehabilitation and treatment are frequently considered separately. For the purpose of this study they will be discussed in one section since rehabilitation alone does not at this time play a large role in international demand reduction.

Currently three offices, agencies or departments of the Federal Government - Rehabilitation Services Administration of HEW, State Department Office of Medical Service and the Department of Defense - are involved in international drug rehabilitation and treatment programs. Primarily these programs service U.S. citizens abroad from the official or military communities but have on two occasions assisted foreign countries (Yugoslavia and Egypt). There are no rehabilitation or treatment programs for other American citizens residing abroad.

The White Paper of 1975, stated that the State Department should provide treatment services for Americans abroad who are employed in high risk areas of drug abuse. Under this policy guidance, the State Department's Office of Medical Services presently sponsors minimal programs at only six posts; Tehran, Kabul, Bangkok, Singapore, Kuala Lumpur and Jakarta. Because of limited clinical capability in some facilities, activities are largely devoted to providing a social center for teenagers which offers alternatives to drug use and provides a setting for drug abuse prevention education and counseling. Stronger medical support had existed in Bangkok and currently exists in Tehran where a board certified psychiatrist can provide some definitive rehabilitation and treatment. In FY 1977, the Office of Medical Services received approximately \$226,000 for demand reduction activities overseas (i.e., prevention, education, rehabilitation and treatment); the FY 1978 budget is approximately \$250,000 plus certain additional funds for travel. Because the program of the Office of Medical Services involves little contact with foreign governments internal liaison with S/NM is minimal and of less importance than coordination and communication with NIDA.

The Department of Defense's involvement in drug abuse treatment and rehabilitation dates back to the early 1970's. In addition to its regular program for DOD personnel, the DOD participated in several early pilot programs overseas. In conjunction with the Departments of State and Defense and the Agency for International Development, the Special Action Office for Drug Abuse Prevention (SAODAP) founded a treatment and rehabilitation center for American dependents in Bangkok, Thailand. The center was designed to be a catalyst in a comprehensive drug prevention and treatment plan incorporating the skills and facilities available in the American Community in Bangkok. SAODAP developed a specific health care model which included medical supervision of treatment, rehabilitation, crisis intervention, education and family counseling. SAODAP funded the project during 1973; subsequently DOD provided most of the funding until withdrawal of DOD personnel in 1976.

The Frankfurt Youth Health Center created in 1973 as a SAODAP pilot project provided a drug abuse prevention, treatment and rehabilitation program for American adolescents (both civilian and military dependents) in Frankfurt, West Germany. The comprehensive health care facility provided medical care short of hospitalization and psychiatric and psychological services short of residential care. With the termination of SAODAP in June 1975, the Department of the Army assumed the continuing operational responsibility for the center.

Findings and Conclusions

There are no U.S. Government demand reduction programs for American citizens residing abroad except for those connected with official government activities and many of these offer minimal services. The approximately one and one-third million private citizens are "on their own" except for some emergency medical and dietary help, in spite of continued Federal tax liability. Medicare and Medicaid are not available outside the U.S. Assistance depends upon the availability of host country resources or corporation doctors, psychologists, community workers or teachers. This problem should be comprehensively reviewed, but such review should, of necessity consider all types of benefits and services now provided or denied to this class of citizens residing abroad.

Recommendations

- The State Department, in consultation with the Department of Defense, should review the benefits and mental health services including drug treatment services provided abroad by the U.S. to those employed by the Federal Government, their dependents, and private American citizens in areas of the world where these individuals are heavily concentrated and drugs are readily available. This review should be made in light of other benefits and services provided to American citizens residing abroad.

VI INTERNATIONAL ORGANIZATIONS

Historically, U.S. international narcotics control programs have been carried out through both bilateral and multilateral channels. In general bilateral programs are encouraged whenever (1) a receptive attitude exists for direct cooperation, (2) short term and narrowly focused program interests are involved, and (3) both parties express a desire for immediate progress. The sponsorship by international organizations such as the United Nations, I.C.P.O./INTERPOL or the World Health Organization, rather than by the U.S., however, may often be more acceptable, may facilitate the achievement of project goals and may also lead to international cooperation and long-term development in social, economic and health areas.

Recognizing the inescapable international aspect of the illicit drug problem, governments have worked together, often at U.S. initiative, to construct the present system of treaties and mutually supportive organizations designed to limit the use of dependence producing drugs to medical and scientific purposes. The United Nations system, the foundations of which were constructed long before the U.S. drug crisis of the 1960's, has the distinct advantage of providing a focus for international efforts to attack the international drug problem, which no individual government could achieve. The present system also provides the mechanism for decisions, evaluations and actions in the drug control field under international auspices which are free of the taint of self interest which might characterize them were they the product of a single government. Even where U.S. bilateral programs are substantial and highly productive, a U.N. presence can usefully supplement an exclusive U.S. presence and diminish political sensitivity on the part of the recipients.

A. THE UNITED NATIONS FUND FOR DRUG ABUSE CONTROL

In 1971, the United Nations Fund for Drug Abuse Control (UNFDAC) was established to energize the United Nations and governmental efforts by assisting countries in financing operational activities aimed at interdicting the illicit traffic, eradicating the illicit supply and reducing illicit demand. The UNFDAC shares the advantages of the United Nations system in that

the Fund serves as an instrument for affirmative action against illicit drug activities in some countries where international rather than bilateral assistance may be more effective. Examples of programs of this nature are to be found in countries critical to U.S. drug control interests; Turkey, Burma, Afghanistan and Thailand.

The Fund's resources, comprised of voluntary contributions from governments and the private sector, currently permit it to support a program budgeted at approximately \$10 million per annum. Approximately 60 percent of the Fund's support is devoted to supply reduction programs and 24 percent allocated for demand reduction activities. The Fund acts as a catalyst to stimulate broader and more costly activities and as a trail-blazer by sponsoring pilot projects intended to determine what drug control programs are feasible in a particular country. Once a pilot project has been successfully completed, the working assumption is that the government concerned, with the assistance from multilateral development organizations, the international financial institutions and bilateral donors, will take over the project and apply its results on a wide scale.

UNFDAC's program includes projects designed to strengthen control measures, to reduce illicit demand, to reduce illicit supply, to stimulate and coordinate chemical, pharmacological, medical, agricultural and sociological research, and to strengthen staffs of international drug control bodies. Major income substitution pilot projects are being implemented in Burma, Pakistan and Thailand. In Thailand, the fifth year of an UNFDAC-supported program is focused on marketing substitute crops and on assisting the government to apply the results of the pilot project to neighboring opium-producing areas. Preparatory work has also been undertaken looking toward the development of income substitution projects in Laos and Afghanistan.

A major success for UNFDAC has been its program to assist Turkey in applying a system of licensed poppy cultivation for the production of narcotic raw material for medical use while at the same time preventing the production and diversion of opium. Another major success has been the UNFDAC program in Afghanistan, closely coordinated with DEA, in support of narcotics police activities, which has resulted in substantial seizures. Projects

financed by the Fund in the control area also include training, publications, assistance in drawing up legislation and other measures related to the implementation of treaty obligations as well as technical assistance to national forensic laboratories. Projects designed to reduce demand include epidemiological research, preparation of handbooks, preventive education, and treatment and rehabilitation.

During the last year some Western European countries have made substantial contributions to UNFDAC for development and treatment activities related to drug control. These contributions, which have increased the Fund's resources by several million dollars and decreased the proportion of the United States contribution from over 80 percent to slightly less than 50 percent, are likely to continue. While this year's initial pledges in February were less than expected, several potential donors have indicated that contributions from development assistance funds will be made over the year as requests are received from recipient countries for specific projects. Greater assistance from other countries would support the budget proposal to remove the present Congressionally imposed \$3 million dollar limitation on the U.S. contribution and permit UNFDAC projects to increasingly emphasize drug control assistance related to economic development and treatment.

The UNFDAC, headed by an Executive Director appointed by the Secretary-General, raises funds, negotiates project agreements, assigns executing agencies, evaluates results achieved and oversees financial management. Executing agents for projects include the U.N. Division of Narcotic Drugs (particularly in the area of control and enforcement), the World Health Organization (demand area), the Food and Agriculture Organization (income substitution), the International Labor Organization (rehabilitation) and UNESCO (education and prevention). The UNFDAC has also used other groups to execute projects including organizations in the private sector. The Division of Narcotic Drugs coordinates the execution of multi-sectoral country programs. Evaluation of projects is carried out by external evaluators appointed by UNFDAC's Executive Director.

In selecting projects, the Executive Director acts under general policy guidelines established by the Commission on Narcotic Drugs, a functional commission of the U.N. Economic and Social Council composed of 30 government representatives, including the Senior Advisor to the Secretary of State and Coordinator for Narcotics Matters, who participates in Commission sessions on behalf of the United States. In deciding which projects to finance the Executive Director also consults closely with the United States

and other major contributors to UNFDAC. To date, the drug and country priorities applied by UNFDAC in the distribution of its resources parallel the United States' views. Accordingly, emphasis is placed on opium and heroin abuse, as opposed to the abuse of other narcotics and psychotropic substances, and on assistance to countries in the South and Southeast Asia which produce illicit narcotics. Close and continuing consultation between U.N. officials and those of the United States in Geneva (where U.N. drug organs are located) and in capitals of countries in which UNFDAC-supported projects are being implemented assures coordination with our bilateral efforts and avoids duplication.

B. THE INTERNATIONAL NARCOTICS CONTROL BOARD

The International Narcotics Control Board (INCB) is a quasi-judicial body established by the Single Convention to supervise and promote governments' implementation of the treaties and to ensure that sufficient licit drugs are produced to meet world medical needs and are not diverted to the illicit traffic. The INCB's predecessor bodies date back to the 1925 Opium Convention. The Board possesses certain powers of sanction, but has traditionally sought to achieve its goals by means of diplomacy. The Convention requires the Board to undertake many of its activities on a confidential basis in order that the country concerned and the INCB can candidly identify problem areas and remedial measures which would allow compliance with treaty obligations. It has maintained this approach in utilizing its strengthened authority under the Amending Protocol to the Single Convention which permits it to recommend to the UNFDAC and other United Nations bodies the provision of assistance to specific governments. The Board is composed of 13 members elected by ECOSOC to serve in their individual capacities and not as government representatives. This permits the Board to be somewhat insulated from potential pressures and allows it to act in an impartial manner.

C. THE U.N. COMMISSION ON NARCOTIC DRUGS AND THE U.N. DIVISION OF NARCOTIC DRUGS

The Division of Narcotic Drugs (DND) serves as the secretariat of the Commission on Narcotic Drugs (CND), the policy making inter-governmental body on international drug control. The Division at

present performs two roles. The first is its traditional treaty function in support of the Commission, involving such activities as collecting national laws and government reports concerning drugs, conducting scientific research on drug-related subjects and analyzing the illicit traffic. Its second role, created with the establishment of UNFDAC in the early 1970's, is to act as executing agent for UNFDAC in the operational aspects of its country programs and a number of other projects.

D. THE U.N. EDUCATIONAL SOCIAL AND CULTURAL ORGANIZATION

The U.N. Educational Social and Cultural Organization (UNESCO) goals and objectives in the area of drug abuse control are contained in the Medium Term Plan for 1977-83 which states:

"UNESCO's main task is prevention; its aim is to modify the demand for drugs, thus supplementing the measures which had been taken against drug production, trafficking in drugs and their supply. The Organization's activities, which began in 1971, were directed at the developed countries in the first instance. During 1975-1976 the programme was extended to the less industrialized areas such as Latin America and the Caribbean, Africa and Asia."

The plan additionally calls for a variety of program activities in the drug abuse area over the next several years, including regional meetings and workshops, national studies, fellowships for educators, information exchange, experimental projects, and training fellowships in drug abuse for social scientists.

The United Nations document entitled "Individual Progress Reports on Operations Financed by the U.N. Fund for Drug Abuse Control (UNFDAC)," published in December 1976, shows \$412,700 expended for UNESCO projects in 1976. Projected expenditures for UNESCO projects in 1977 and 1978 are \$358,500 and \$476,000 respectively. In addition, some of UNESCO's activities in the drug abuse area are funded out of its Regular Program funds.

E. THE WORLD HEALTH ORGANIZATION (WHO)

The World Health Organization (WHO) under the Single Convention and the Psychotropic Convention advises the Commission on Narcotic Drugs concerning the medical aspects relating to the scheduling of controlled substances. It also acts as executing agent for certain UNFDAC projects. The availability of UNFDAC financial resources during recent years has facilitated WHO's collaboration with governments in the development of operational treatment and epidemiological programs for drug dependence. These programs are intended to develop at national and local levels, flexible and dynamic management systems that will assist in preventing and reducing the non-medical use of drugs. In 1974, the first WHO/UN pilot treatment program was implemented in Thailand. Initially, the project concentrated on strengthening existing services in Bangkok and developing a hospital based treatment service in Chiang Mai near the opium producing areas. Since 1975, the emphasis has been placed on operational research (1) to develop information on the extent and nature of drug addiction in Thailand, (2) to identify through evaluation studies, effective low cost treatment and health care delivery methods and (3) to develop data and experience to assist the government in planning and implementing improved programs throughout the country.

Since the first pilot project in Thailand, similar programs have been initiated in Iran, Pakistan, Burma and Vietnam. Exploratory missions to Egypt and Afghanistan have also been made by WHO staff.

F. I.C.P.O./INTERPOL

The International Criminal Police Organization, better known by its radio designation - INTERPOL, was established to provide the necessary coordination and communications for law enforcement agencies having a foreign investigative requirement abroad. The communications handled by INTERPOL range from requests for criminal history record checks to requests for full investigations. The United States participates in INTERPOL by statute^{1/} and investigations are conducted by the appropriate law enforcement agency through the U.S. Interpol Central National Bureau. The exchange of information among the representatives from the 125 member

^{1/} 22 U.S.C. 263a.

countries is central to INTERPOL's primary function and is enhanced by the organization's extensive international radio network.

G. THE CUSTOMS COOPERATION COUNCIL

The Customs Cooperation Council (CCC) was established to obtain, in the interest of international trade, the best possible degree of uniformity and harmony among the customs systems of the member nations. It does not conduct an operational narcotics control program. Certain CCC initiatives, however, such as the draft Nairobi Convention, are directed, in part, toward customs assistance in action against the smuggling of narcotic drugs and psychotropic substances.

H. REGIONAL AND INTERREGIONAL ACTIVITIES

In recent years, the U.N. has placed increasing emphasis on regional and interregional activity. The Commission on Narcotic Drugs has established a Sub-Commission on Illicit Traffic and Related Matters in the Near and Middle East consisting of representatives from Turkey, Iran, Afghanistan and Pakistan to agree on detailed mechanisms for coordinating regional programs. Annual meetings of operational heads of law enforcement agencies in the Far East are convened by the U.N. to accelerate and standardize the exchange of police information. The U.N. is also working closely with such other regional organizations as the Council of Europe, the Pompidou Initiative and the Colombo Plan with a view toward coordinating activities and developing common approaches to drug-related problems.

Findings and Conclusions

1. U.S. international drug control projects should complement the activities of the U.N. and other international organizations. Increased efforts should be made to encourage the expansion of international organization activity, particularly in those areas where these efforts would better serve to control the supply of and demand for illicit drugs.

2. Largely as a result of U.S. efforts, broader powers have been granted to the INCB under the 1972 Protocol which amended the Single Convention. These powers should enable the Board to more effectively ensure compliance by all governments with their treaty obligations.

3. Currently there is a need to actively identify the U.N. Division of Narcotic Drugs as the clearinghouse for information on the narcotics control efforts undertaken by international organizations. There is an attendant need to place the regional institutions in closer contact with one another through the Division of Narcotic Drugs.

Recommendations

- 1. The United States should increasingly look to:
 - a. the U.N. Development Programme (UNDP), the U.N. Fund for Drug Abuse Control (UNFDAC), its executing agents (the Division of Narcotic Drugs, WHO, FAO, ILO and UNESCO) as well as the International Financial Institutions (IBRD, IDA, IDB and ADB) for development, support and execution of income substitution and demand reduction programs as appropriate. The Department of State should encourage these organizations to actively seek opportunities to initiate and conduct more projects and, if necessary, increase U.S. financial and personnel support for such purposes;
 - b. the International Narcotics Control Board (INCB) as an instrument to insure compliance by all governments to their treaty obligations. The State Department should encourage the INCB to make appropriate recommendations on the provision of technical and financial assistance by U.N. agencies to those governments which cannot adequately control drugs at or within their borders; and
 - c. I.C.P.O./INTERPOL and the Customs Cooperation Council for law enforcement training and the exchange of information among cooperating members. DEA and Customs should encourage this objective through their

participation in these organizations and in their relations with police and customs officials of other countries.

- 2. The Strategy Council, in conjunction with HEW and the State Department, should survey demand reduction measures being taken worldwide and develop in consultation with international agencies involved an international program designed to reduce the demand for drugs. The plan should make provision, wherever feasible, for use of international agencies in achieving its purposes and, insofar as U.S. sponsored projects are concerned, the appropriate use of P.L. 480 funds.
- 3. The Strategy Council should undertake an in-depth study to determine the advantages and disadvantages of developing narcotics control programs in foreign countries on a regional basis. The study should also include the methods which could be used to implement such a course of action. Additionally, the study should go beyond the reports on international organizations which were supplied under the International Security Assistance and Arms Export Control Act of 1976.

INTERNATIONAL NARCOTICS CONTROL POLICY REVIEW

SUMMARY OF REPORT AND RECOMMENDATIONS

As the world becomes increasingly pluralistic and the interdependencies of nations become more numerous and more sensitive, we find that many of our most important problems are no longer clearly "domestic" or "foreign." Energy shortages, trade deficits, and agricultural prices, for example, are inextricably related to foreign considerations and domestic policy to deal with such problems is interwoven in their solution.

The domestic U.S. drug abuse problem has always had international implications in that many of the serious drugs of abuse originate in foreign countries. This review examines current U.S. international drug control policies and identifies initiatives and certain program emphasis designed to further improve efforts to reduce the illicit supply and demand for drugs.

Scope of the Problem

The magnitude of the international drug problem is evidenced in the tremendous amounts of opium and cocaine produced worldwide. While the best figures are only broad estimates, it would appear that more than 1,000 metric tons of opium and over 60 metric tons of cocaine were available for the worldwide illicit market in 1976.

The tentative nature of these figures and the current discrepancies in them, however, do not allow us to accurately assess existing problems or the success of our efforts. Consequently the report recommends that:

1. The Strategy Council on Drug Abuse direct a study on the best means of assembling and validating the wealth of supply and demand statistics maintained by the U.S. and international organizations in the area of narcotics control and adopt procedures for systematic reporting, analysis and publication of this data.

Narcotics Policy in the Context of U.S. Foreign Policy

Narcotic control considerations have played a fluctuating role in foreign policy throughout this century. President Carter has accorded a high priority to the International Narcotics Control Program, emphasizing the importance of working with other nations bilaterally and through international agencies to combat the threat to the entire world posed by drug abuse and the illicit traffic. Much has been accomplished but much still remains to be done.

Within the Department of State, the Office of the Senior Advisor for Narcotics Matters (S/NM) is primarily responsible for identifying diplomatic initiatives directed toward more effective narcotics control, working with the concerned agencies of the U.S. and international organizations in achieving reduction in illicit drug supply and demand in foreign countries, liaison with key U.S. diplomatic missions worldwide and administering the International Narcotics Control Program funds appropriated to the Department.

Narcotics Country Action Plans (NCAP)* describing these objectives were once required of Embassies in the major drug producing and transiting countries. S/NM has recently decided to revitalize the NCAP system and plans to call for situation assessments from up to 50 countries which will probably warrant the development of 20 to 25 action plans.

In support of this initiative the report recommends that:

2. Country Narcotics Action plans for those countries affected by the supply of and/or demand for drugs should be developed by the U.S. Country Team led by the Ambassador and the appropriate narcotics components within such Embassies in accordance with specific guidelines issued by S/NM. The plans should look to the future and, as such, recommend both long- and short-term objectives in the areas of income substitution, law enforcement and intelligence cooperation, training, prevention and treatment, which would, in the end, enable foreign governments to deal with the problems associated with narcotics control within, and at, their borders and more

* NCAP's further described on page 21.

fully participate in international cooperative efforts. The plans should explicitly include the means of achieving these goals as well as proposed initiatives with the host country government and should identify offices which might further assist in the international narcotics control effort. On a semi-annual basis the plans and progress within each country would be reviewed and assessed by the Executive Director of the Strategy Council or his designee.

The Office of the Senior Advisor for Narcotics Matters (S/NM) is the primary focal point for informing Embassy personnel of current drug policy and developments which could assist them in the performance of their duties. The report, therefore, recommends that:

3. S/NM, in consultation with the bureaus of the Department of State, should institutionalize means of communicating drug-related policies and information on a regular basis to key embassies and missions. This information should include periodic reports from DEA, Customs, HEW and other relevant special studies (e.g., NIDA Research Issues and Monographs), Congressional testimony, press releases and other material that would be of use to field personnel to apprise them of current drug policy and developments.

The importance of the international drug policy cannot be overstated. As long as drug abuse in this country continues to be the result of foreign grown material, the cutting edge of our attack will be through foreign policy initiatives. Consequently, the report recommends that:

4. The State Department strengthen its review of all elements of our foreign policy toward producing countries and, wherever feasible, seek a commitment by such countries to initiate, with suitable assistance, programs to eliminate narcotics cultivation. The specific narcotics country action plans for these producing countries should identify the priority accorded to narcotics control in light of other in-country considerations such as fishing rights, oil, etc. Narcotics control efforts should be given heavy weight in balancing other U.S. objectives when considering foreign aid or trade.

Law Enforcement Assistance

Historically, U.S. supply reduction efforts have been almost exclusively directed toward assistance to host country law enforcement and border control and to acquiring information on trafficking. Such assistance to foreign law enforcement officials should continue to be a key element of our policy as it has a significant impact on the production of, and trafficking in, narcotics ultimately destined for the United States. It enlists the support of law enforcement officers of many nations and interposes the border controls of numerous countries between the source of production and the U.S., hence, increasing the risk to the trafficker.

The enactment of the Mansfield Amendment in 1976 brought about a shift in the responsibilities of U.S. law enforcement officers overseas. The restrictive enforcement participation provisions of the act have redirected U.S. law enforcement efforts overseas into an expanded involvement in liaison and intelligence with foreign counterparts.^{1/} The DEA agent overseas acts primarily as a coordinator and motivator within a wide spectrum of drug related activities.

In light of the changing nature of enforcement activities overseas brought about by the Mansfield Amendment and in view of the policy emphasis on demand reduction, income substitution, intelligence gathering and activity of international organizations, the report recommends that:

5. DEA develop a formal personnel system for its overseas assignments to include:
 - a. A personnel selection, training, and orientation process that recognizes this broader mission and is based on a long-range career type commitment;
 - b. A system of rotation in suitable career related positions, and
 - c. Appropriate methods and criteria for evaluating the effectiveness of its overseas personnel.

^{1/} ODAP's separate study on narcotics intelligence addresses foreign narcotics intelligence support to the international effort, and therefore, will not be discussed in this report.

International Training

The U.S. training of foreign police and customs personnel in narcotics matters provides a unique opportunity for improving the capability of foreign countries to better contain drug trafficking and smuggling abroad and thereby reduce the volume of illicit drugs reaching the United States.

The report notes, however, that there has been no comprehensive and systematic evaluation of the U.S. training program since a survey in 1974. In spite of the difficulties, a thorough evaluation would be useful to program managers in DEA, Customs and S/NM in the administration of the program. The report, therefore, recommends that:

6. As the office responsible for allocating INC training funds, and in coordination with appropriate regional and functional bureaus of the Department of State, S/NM should be responsible for evaluating the effectiveness and results of DEA and Customs foreign training programs and review the advantages and disadvantages of placing increased reliance on training programs conducted by international agencies to achieve the objectives of present bilateral training. In addition, S/NM should establish a procedure to increase coordination of the training programs offered foreign officials in the U.S. by DEA and Customs and consider whether or not joint conduct or consolidation of some of these programs would be feasible.

Crop Suppression and Income Substitution

No matter how competent the suppression of the illicit traffic, enforcement actions alone cannot be completely effective when pitted against the unlimited production of illicit drugs that annually inundate the United States. The elimination or drastic curtailment of the illegal cultivation of drug yielding crops through income substitution is a long range goal which will only be achieved over a period of several years through cooperation among foreign governments, the U.S., the International Financial Institutions and U.N. organizations.

In this regard, the report recommends that:

7. An increased emphasis be placed on income substitution programs linked with enforcement of crop suppression measures to reduce or eliminate the dependency of certain farmers on poppy, coca, and cannabis cultivation. Toward this end greater liaison should be established with Agriculture, AID and ACTION, perhaps through the assignment of staff to S/NM, so that the State Department can more effectively (a) review the potential for income substitution programs in narcotics growing areas of producing countries, (b) assist host countries in developing economic alternatives to illicit narcotics cultivation, (c) persuade producing countries to include these alternatives in their domestic development plans and to aid them in obtaining financial assistance for such development, and (d) encourage international agencies, financial institutions and other potential donors to provide necessary development assistance to applicant countries.

The International Financial Institutions can substantially assist in financing projects initiated by foreign governments to eliminate or curtail illicit narcotic plant cultivation through income substitution. In response to a U.S. request the President of the International Bank for Reconstruction and Development (IBRD) recently stated that the Bank is prepared to strongly support efforts to develop viable projects which would lead to a reduction in poppy and coca cultivation and furthermore will attempt to obtain assurances from governments that they will take all reasonable actions to prevent continuing drug plant cultivation in project areas. In support of this initiative, the report recommends that:

8. The Secretary of the Treasury should continue to seek the adoption by other International Financial Institutions (IFI's) of a policy similar to that set forth by the IBRD and to follow actions taken by these institutions to implement this policy designed to reduce the dependency of farmers on narcotics cultivation in developing countries. At the same time, the State Department should undertake further initiatives to motivate governments of major donor countries to: (a) urge producing countries to actively seek assistance in this area from the IFI's and other multilateral institutions; and (b) encourage their representatives to the IFI's to (1) use the influence of the banks to gain acceptance for such policies from recipient countries, and (2) use the leverage of the banks to develop alternatives to narcotics production.

Financial Transactions

The exorbitant profits derived from the narcotics traffic are just as important targets of control as the drugs themselves. The narcotics trade is clearly a multi-billion dollar industry which explains the persistence with which traffickers can accept great losses of money, men, material, and still continue to function. Although the financiers behind the narcotics traffic have been historically difficult to bring to justice, their financial transactions can be more easily followed. The report identified several areas, however, that impose certain limitations on the collection, exchange and application of financial information. To resolve these difficulties the report recommends that:

9. The Departments of Treasury and Justice review their present efforts in the tax and currency aspects of narcotics trafficking to determine what additional steps might be taken and, based on their experience, propose legislation or other action dealing with any deficiencies in authority including those pertinent to currency and foreign financial transactions which might facilitate control over currency and assets resulting from the illicit export of narcotics. In addition the Department of the Treasury should take steps to centralize all banking and currency transaction information and take the necessary measures to ensure that the Federal bank supervisory agencies have the authority to examine domestic branches of foreign banks for compliance with U.S. banking laws.

To further enhance cooperation among the U.S. and foreign governments in exchanging financial information related to the narcotics traffic, the report recommends that:

10. The Department of Justice, together with the Departments of State and Treasury, systematically review those countries with whom it would be most advantageous to have Mutual Assistance Treaties modeled after the judicial assistance treaty with Switzerland and give high priority to negotiating such treaties. Selection of the countries with whom such treaties would be proposed should be based on importance to our narcotics control efforts and directed toward gaining further cooperation in obtaining banking and other records, locating and taking testimony from witnesses, and the service of judicial and administrative documents.

Arrest and Prosecution

In addition to financial investigations, specific international measures such as extradition, foreign arrests and prosecutions provide avenues for further impacting on the supply of illicit drugs. The report, therefore, recommends that:

11. The Department of Justice develop and present to the Department of State a list of specific problems related to cooperation with foreign governments which presently inhibit them in providing information necessary for the prompt arrest and prosecution of traffickers. These should be reviewed by the Department of State and, with the Department of Justice, a program should be developed and initiated to deal with these matters. Possible initiatives might include prisoner exchange treaties, quicker translation of documents, follow-up legal assistance to embassies, reciprocal representation of the U.S. by foreign Ministries of Justice, improvement of extradition processes, simplification of administrative processes, and others.

International Demand Reduction

The production and supply of illicit narcotics and psychotropic drugs are, to a significant degree, a function of demand. Without drug consumption, there would be no incentive to produce and little profit in trafficking.

The importance of demand reduction as part of a balanced international drug control program is emphasized in this report. International demand reduction activities not only achieve specific salutary benefits for people throughout the world but also serve as a means of convincing other governments of the immediacy and seriousness of the worldwide drug problem. Consequently, the report recommends that:

12. Greater assistance be available to foreign governments in developing and conducting demand reduction programs. Such assistance should be limited to training, research, reporting systems, evaluation, and provision of technical "knowhow" rather than direct operation of such programs although authority to accept contracts to establish and operate demonstration programs is desirable. The

Department of Health, Education, and Welfare (HEW) should review with the Department of State all administrative impediments to utilizing skilled personnel on a short-term basis and the adequacy of present authority to conduct such activities in both developed and developing countries and propose any needed changes in procedures and program authorization.

The report found that there are no U.S. Government demand reduction programs for American citizens residing abroad except for some of varying quality and availability to those connected with official government activities. The report, therefore, recommends that:

13. The State Department in consultation with the Department of Defense review the benefits and mental health services including drug treatment services provided abroad by the U.S. to citizens employed by the government and their dependents as well as to private American citizens in areas of the world where these individuals are heavily concentrated and drugs are readily available. This review should be made in light of other benefits and services provided to American citizens residing abroad.

In light of the increasingly recognized role of demand reduction measures as a necessary complement to supply reduction, the report recommends that:

14. In addition to fulfilling their present roles, DEA overseas personnel, State Department Narcotics Coordinators, and former AID Public Safety personnel overseas, be trained to place a greater emphasis on demand reduction measures to provide information, communication, and liaison support services on such measures to host countries.

International Organizations and Multilateral Efforts

Recognizing the inescapable international aspects of the illicit drug problem, governments have worked together to construct the present system of treaties and mutually supportive organizations designed to limit the use of dependence producing drugs. The increasing illicit use of drugs in other countries and the fact that assistance from international organizations

is more welcome by some nations than bilateral aid lead to the recommendation that:

15. The United States should increasingly look to:

- a. The U.N. Development Programme (UNDP), the U.N. Fund for Drug Abuse Control (UNFDAC), its executing agents (the Division of Narcotic Drugs, WHO, FAO, ILO and UNESCO) as well as the International Financial Institutions (IBRD, IDA, IDB and ADB) for development, support and execution of income substitution and demand reduction programs as appropriate. The Department of State should encourage these organizations to actively seek opportunities to initiate and conduct more projects and, if necessary, increase U.S. financial and personnel support for such purposes;
- b. The International Narcotics Control Board (INCB) as an instrument to ensure compliance by all governments to their treaty obligations. The State Department should encourage the INCB to make appropriate recommendations on the provision of technical and financial assistance by U.N. agencies to those governments which cannot adequately control drugs at or within their borders; and
- c. I.C.P.O./INTERPOL and the Customs Cooperation Council for law enforcement training and the exchange of information among cooperating members. DEA and Customs should encourage this objective through their participation in these organizations and in their relations with police and customs officials of other countries.

16. The Strategy Council, in conjunction with HEW and the State Department, should survey demand reduction measures being taken worldwide and develop in consultation with international agencies involved an international program designed to reduce the demand for drugs. The plan should make provision, wherever feasible, for use of international agencies in achieving its purposes and, insofar as U.S. sponsored projects are concerned, the appropriate use of P.L. 480 funds.

The Study also recognizes that the nations of certain geographic regions have a mutuality of interest in drug control problems and recommends that:

17. The Strategy Council should undertake an in-depth study to determine the advantages and disadvantages of developing narcotics control programs in foreign countries on a regional basis. The study should also include the methods which could be used to implement such a course of action. Additionally, the study should go beyond the reports on international organizations which were supplied under the International Security Assistance and Arms Export Control Act of 1976.

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